FINANCIAL TIMES

Start the week with...

Cross-border crime

EU robbers still outwit the Euro-cops

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Doritos

Salty snack attack in Europe

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Dresdner Bank

"Openness has to start at the top"

Profile, Page 9

World Business Newspaper http://www.FT.com MONDAY FEBRUARY 2 1998

WORLD NEWS

Lewinsky lawyer expects Clinton to survive the 'affair' scandal

The lawyer for Monica Lewinsky, former White House aide alleged to have had an affair with US president *Bill Clinton*, said he believed the scandal would "blow over" and Mr Clinton would not resign or be impeached. Page 4

European Central Bank delay A decision on the presidency of the proposed European Central Bank is unlikely until there is agreement on who should sit on the bank's board, according to European Union finance ministers. Page 16

Internet 'hijacked': The internet was "hijacked" last week in protest at US proposals to privatise the function of assigning addresses to websites. Page 16

Hope of fresh peace talks Israel and the Palestinians are *expected to reopen talks aimed at* restarting the peace process, US secretary of state Madeleine Albright said. Page 6

UK pledges war on crime in EU Organised crime in Europe has exploded since the lowering of border controls. The UK has made its reduction a priority for its six-month presidency of the EU. Crime opens borders, Page 2

Prodi in working hours row Italian prime minister Romano Prodi is seeking to quell a row with his far-left allies over a *shorter working* week. Page 2

Gaullists agree changes France's centre-right Gaullist movement approved a new identity and constitution. Page 2

Strike at Virgin Express Pilots and other Belgian-based *crew of low-cost* airline Virgin Express went on a one-day strike over working conditions. Page 2

Cambodia consensus cracks Consensus among the international community about how to deal with Cambodia is showing signs of cracking. Page 3

Pledge of Australian republic Australia's opposition Labor Party said that if it won the general election due before May 1999, Australia would have its own head of state before the Sydney Olympic games in 2000. Page 3; Editorial Comment, Page 15; Three hurt in docks clash, Page 2

Bhutto challenge to Britain The Bhutto family is to challenge the UK's decision to assist in the investigation of assets allegedly belonging to Asif Ali Zardari, husband of former Pakistan premier Benazir Bhutto. Page 8

US report angers China China claimed a US report criticising Beijing's human rights record was an excuse to meddle in its internal affairs. Page 4

Peasant leaders killed Two left-wing peasant leaders in the Mexican state of Chiapas were killed after criticising the state government. Page 4

Review of UK citizenship Britain is to hold out the possibility of full citizenship for more than 100,000 people in its foreign dependencies. Page 7

Bank to advise on art Coutts, private banking arm of *National* Westminster Bank of the UK, is to launch an art advisory service. Page 7

Cancelled Test costs $1.5m The West Indies Cricket Board said it would lose at least $1.5m after the abandonment of the first test match against England in Jamaica. Page 4

Korda wins Australian Open Czech Petr Korda beat Marcelo Rios of Chile in straight sets in the Australian Open tennis final to take his first Grand Slam title.

BUSINESS NEWS

European banks may face $20bn losses on Asian loans, says S&P

European banks could face losses of up to $20bn on their loans to Asia, according to new estimates from Standard & Poor's credit rating agency. Using data from individual banks it calculated European bank credit exposure *to South Korea, Thailand*, Indonesia and Malaysia at between $110bn and $130bn. Page 17; Lex, Page 16

Deloitte Touche Tohmatsu, one of the Big Six accounting firms, has admitted it was in merger talks with Ernst & Young but said it rejected the approach after none of its clients backed the deal. Page 17; Case for globalisation, Page 18

Arianespace, the world's biggest commercial satellite launcher, plans to raise FFr1bn ($160m) to help fund a trebling of launches over the next five years. Page 2

London's Liffe futures exchange is to start poaching French trad*ers from its Paris rival Matif as* competition for market share intensifies. Page 17

Mondadori, Italy's leading publishing group, has launched a three-year strategic development plan to create a network of international partnerships and joint ventures. Page 19

German government efforts to modernise the country's capital *markets move up a gear this* week when a bill allowing quoted companies to use international accounting standards goes to the *Bundestag for approval.* Page 2

Paribas and SBC Warburg Dillon Read have been appointed lead managers on Brazil's planned eurobond issue – its first international bond issue since the Asian crisis hit Brazilian financial markets in October. Page 21

Caterpillar, US construction, mining and agricultural equipment company, will sit down with the United Auto Workers union for the first time in two years in a bid to end a bitter labour dispute. Page 4

Young & Rubicam, world's fifth largest advertising group, is set to file papers with the Securities and Exchange Commission this month in preparation for an initial public offering. Page 21

Flemings, UK investment banking group, is to announce the purchase of Brazilian investment bank Banco Graphus, in the latest expansion of its emerging markets activities. Page 19

Thailand has stepped up its campaign to have the International Monetary Fund economic *austerity programme* relaxed, on the eve of the arrival of an IMF review team. Page 3

Peregrine's equities operations are expected to be sold in the next few days, with Banco Santander and Banque National de Paris poised to split businesses belonging to the collapsed Hong Kong investment bank. Page 19

Banco Bilbao Vizcaya, Spain's largest bank by market capitalisation, says it will continue an ambitious Latin American acquisition strategy and will consider European alliances. Page 21

Daewoo, South Korea's second biggest car company, said it was discussing "a broader relation*ship" with General Motors*, but denied local reports that the US carmaker would take a 50 per cent stake. Page 19

Mexico's tequila producers are enraged that Cape Town company Tequila and Mazcal Distillers is building a tequila distillery in *South Africa's* Eastern Cape region. Page 16

Diplomatic activity intensifies ■ Military decision 'within weeks'

Albright warns that time is running out in Iraq stand-off

By Avi Machlis in Jerusalem, Roula Khalaf in London and Laura Silber in New York

Madeleine Albright, US secretary of state, warned yesterday that "the time is fast approaching for fundamental decisions" on the stand-off between the UN and Iraq, as diplomatic efforts intensi*fied to avert what Mrs Albright* said could be a "substantial" show of military force.

Russia, which remains opposed *to the use of force, sent its spe*cial envoy, Viktor Posuvalyuk, to Baghdad for the second time in a week in search of a diplomatic compromise over Iraq's refusal to allow unfettered access to UN weapons inspectors. Iraq also said a French envoy was on his way.

Meanwhile Ismail Cem, the Turkish foreign minister, announced that Turkey was ready to mediate. He planned to travel to Baghdad as soon as possible to try to avoid what he said was an "imminent" military strike.

Mrs Albright said in Israel yesterday: "If diplomacy runs out, *we have reserved the right to use* force, and if we do so it will be substantial." The US preferred to solve the crisis by diplomatic means, she added, but the "window of opportunity" for a settlement was narrowing and the US would make a decision on military action within weeks. Mrs Albright, however, also said the US would not oppose an expansion of the oil-for-food deal, which now allows Iraq to export $2bn worth of oil every six months to buy food and medicine. Kofi Annan, UN secretary general – who at the weekend urged that diplomacy be given more time – is today expected to propose an increase in the UN *scheme*.

Against this background of diplomatic efforts and military threats, a UN disarmament team, *headed by Nikita Smidovich of* Russia, yesterday began talks aimed at determining if Iraq had destroyed its arsenal of missiles.

These "technical evaluation meetings" are a concession to Iraq because they widen the circle of international experts involved in assessing Baghdad's arsenal and do not require site inspections.

Iraq complains that sanctions will remain in force indefinitely while the US and Britain dominate Unscom, the body charged with dismantling Baghdad's weapons of mass destruction and their production facilities.

The 18-strong UN team *includes one expert from each of* Russia, France, China, Germany, the US and Britain. The first round of talks focuses on "special warheads" capable of carrying chemical and biological payloads.

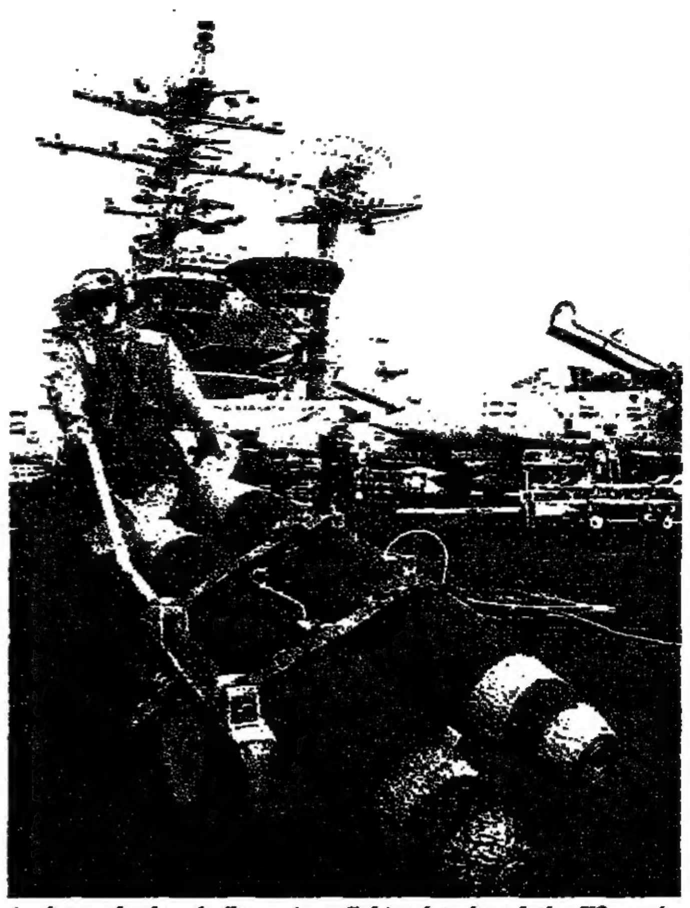
Another team of experts is due to discuss the chemical agent VX and a third will focus on biological weapons – an area Unscom says is "unredeemed by progress" – later this month.

Mrs Albright stressed after meeting Robin Cook, UK foreign secretary, in London on Saturday that the decision to use military force had not been taken yet but that her five-day diplomatic tour was aimed at *sending a strong* signal from the international community that unconditional access for the UN teams was the only solution to the current stand-off.

Bill Richardson, the US ambassador to the UN, added yesterday "the US won't be alone" if it decided to use force. After speaking to leaders from other countries attending the World Economic Forum in Davos, Switzerland, he said he was receiving more support than he expected.

Iraq has blocked UN inspectors from so-called presidential sites and banned a team led by an *American inspector* it accuses of spying. While Unscom is convinced the regime is concealing evidence related to biological and chemical weapons development, Baghdad insists it no longer has any nuclear, chemical, biological or ballistic missiles.

Arabs to urge restraint, Page 6



A airman loads missiles onto a fighter jet aboard the US carrier George Washington as tension mounted in the Gulf AP

SmithKline and Glaxo plan details

By Daniel Green in London

Teams of senior managers from Glaxo Wellcome and SmithKline Beecham plan to meet tomorrow in London to finalise the details of their £100bn ($165bn) merger to create the world's biggest drugs company.

The talks on the structure of the new company – likely to be *called Glaxo SmithKline* – are likely to take about two weeks.

The proposed executive appointments reflect the 59.5 per cent stake *Glaxo's shareholders* will have in the new company. Of the five board members announced so far, three come from Glaxo.

Sir Richard Sykes, Glaxo's chairman, is set to be Glaxo SmithKline's executive chairman, while Jan Leschly, the Danish chief executive of SmithKline would keep the same title in the new company.

The talks will take place against a likely background of sharp rises in the companies' share prices today and concern among staff and trade unions over job losses.

However, shares in US company American Home Products are likely to fall sharply. On January 20, when merger talks between AHP and SmithKline were confirmed, they rose 16 per cent. The announcement that those talks had been abandoned came after the New York Stock Exchange closed on Friday.

Union officials have called for urgent talks with the companies this week and are especially concerned at the prospect of job losses among skilled scientists.

Jobs at the companies' sites in the US and France could also be lost as both companies have *extensive operations* there.

If the deal goes ahead, it will be only the latest in a series of big mergers and takeovers in the drugs industry since 1993, when many governments drew up plans to control the rising cost of healthcare. Previous mergers suggest that job losses at SmithKline and Glaxo of about 10 per cent are likely. The companies employ a total of 110,000.

The level of cuts in the UK is likely to be higher because both companies have research and development, marketing and sales offices near London. Cuts of up to 20 per cent in the UK's 21,000 workforce are possible.

It seems certain that not all the Glaxo and SmithKline sites in the north and west of London will survive. SmithKline's headquarters at Brentford looks especially vulnerable. Last year, SmithKline won permission to build large offices at nearby Stockley Park, close to Glaxo's UK marketing headquarters.

Some of the two companies' manufacturing sites in the north of England and Scotland are also vulnerable.

The companies hope to make the detailed merger announcement by February 17 when SmithKline Beecham is scheduled to publish its 1997 annual results, or by February 19, Glaxo's results day.

It would be the largest corporate deal ever, creating the world's third-biggest company by market valuation.

SmithKline is advised by Morgan Stanley and Glaxo's advisers are Lazard Brothers.

Lex, Page 21
Editorial Comment, Page 15
Merger implications, Page 18

EU and US consider new trade agreement

By Guy de Jonquières in Davos

The US and the European Union are considering a new drive to sweep away barriers to transatlantic trade and investment.

They expect to decide by April whether to open formal negotiations aimed at a broad free trade agreement. If they agree to press ahead, the project will be approved when US President Bill Clinton visits Britain for the US-EU summit in May.

Although many details have still to be settled, the proposal has attracted growing interest on both sides of the Atlantic.

It was floated weeks ago by Sir Leon Brittan, Europe's trade commissioner, who has dis*cussed it informally with EU* ministers and leading members of Mr Clinton's administration.

Tony Blair, Britain's prime *minister, is said to be enthusias*tic about the proposal, which could provide a headline achievement for his government's EU presidency and build on his close personal and political links with Mr Clinton.

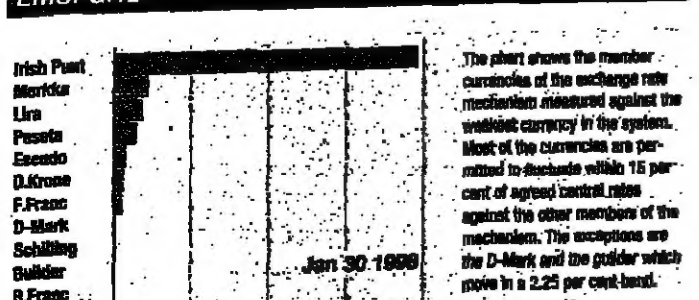
EU and US officials believe that transatlantic negotiations could help rebuild political support in Washington for further trade liberalisation, after the setback caused by Mr Clinton's failure last year to obtain from Congress the fast track authority needed to reach trade agreements. A US official said interest in Sir Leon's proposals had been boosted by Asia's financial cri*sis*, which had *refocused* US attention on Europe's attractions as a stable market for exports and investments.

The US and EU aim to complete detailed feasibility studies of the proposal in the next two months. The studies are expected to cover the reduction or elimination of tariffs on industrial goods, removal of technical barriers to trade, promotion of transatlantic trade in services and closer co-operation in areas such as anti-trust enforcement and investment regulation.

A US official said he expected trade in services to feature prominently in any negotiations. Their agenda might include liberalisation of airline markets on both sides of the Atlantic. Washington also wants any agreement to remove some EU

Continued on Page 16
Davos summit, Page 6

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Irish punt softened further last week to finish just 3.93per cent above its central rate against the Belgian franc, the weakest currency in the European exchange-rate mechanism. **Currencies, Page 25**

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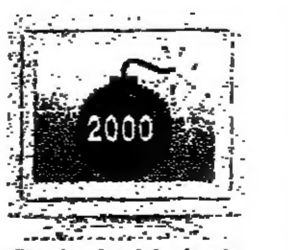

The millennium bomb is already blowing up on businesses, Page 14

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RPR agrees on new constitution stressing drive against corruption but fails to find new name

Gaullists revamp party

By Andrew Jack in Paris

France's struggling centre-right Gaullist movement has approved a new identity and constitution but failed to settle on a new name.

At a weekend meeting, members of the Rassemblement pour la République (RPR) approved a new definition of their statutes which placed extra emphasis on a drive against corruption.

The gathering in Paris comes at a delicate time for the RPR, just ahead of the regional elections in March which will provide the first opportunity for its new leaders to test their strategy to regain power since they were defeated in general elections last June.

It follows months of work by Philippe Séguin, a close ally of President Jacques Chirac who founded the RPR in 1976 as the successor to General de Gaulle's political movement. Mr Séguin took charge last year from Alain Juppé, the outgoing prime minister who was forced to step down in the wake of the electoral defeat.

The new statutes, which were approved at a vote on Saturday, leave the RPR with a centrist ideology. They define the party's values around the importance of the nation, the family, liberty, authority of the state, work, responsibility, equality of opportunity and solidarity.

In recognition of the concern over the scandals which damaged the image of the RPR-UDF ruling coalition during 1993-97, a new charter for RPR politicians places considerable emphasis on the need for morality and irreproachable transparency. It warns that those found guilty of corruption would be evicted.

However, activists were unable to reach a consensus over a change of the party's name, with 49.94 per cent supporting Rassemblement pour la France (RPF), in deference to General de Gaulle's 1947 party Rassemblement du Peuple Français. A further 49.34 per cent voted to keep the name RPR, and just 0.66 per cent for simply Rassemblement.

For some, the voting indicated only a weak endorsement for the leadership of Mr Séguin, who had first proposed a name change several months ago, but who had never firmly endorsed any particular version.

Séguin: narrow result prompted him to retain RPR name

In view of the narrow result, he resolved yesterday to maintain the existing RPR name.

The decision puts pressure on Charles Pasqua, the former interior minister, on the more nationalist and protectionist right wing of the party, who has threatened to launch his political movement, and was among the most senior members of the RPR executive to call for a change to RPF.

Prodi seeks to reassure hard-left

By James Blitz in Rome

Romano Prodi, Italian prime minister, is seeking to quell an argument with far-left allies who nearly brought down his administration last year, this time over the timetable for introducing a law on a 35-hour week.

According to a deal struck last October by Mr Prodi and Reconstructed Communism, the minority party upon which he relies for a parliamentary majority, plans for the 35-hour week should have been published by the Italian government by last Saturday. The 35-hour week is due for to be implemented at the start of 2001.

However, Fausto Bertinotti, RC's leader, expressed anger the government had failed to meet the deadline, claiming round-table discussions with business leaders and trade unions were proceeding too slowly. His concerns were compounded by Armando Cossuta, RC's president, who said the government had to realise that "every day that passes will see difficulties increasing".

Mr Prodi issued a terse response to RC over the weekend, saying: "I am in the habit of fulfilling my promises".

But he added the legislation in question needed to be balanced. This meant, he said, "taking account of economic requirements and the needs of companies."

Few, if any, political observers expect the row over the 35-hour week to blow up into a full-scale confrontation with RC ahead of the decision on whether Italy enters a single European currency in May. Although RC believes agreement on a 35-hour week was at the heart of the accord that saved the Prodi administration last October, the minority party emerged temporarily weakened because of a rebellion by grass-roots supporters.

However, the Prodi administration is under pressure to come up with a final proposal on the issue. The 35-hour week is supported by some trade union leaders, but any legislation would fly in the face of outright opposition of Confindustria, the employers' federation, to any further regulation of Italy's already rigid labour market.

In a bid to mediate between the various protagonists in the debate, Tiziano Treu, the employment minister, warned RC over the weekend that the continuing talks between the government and its social partners were not a waste of time. They had been regarded as necessary in the accord struck with RC in October, he said. But he asked business leaders not to indulge in "needless and potentially dangerous" posturing.

German reforms step up pace

Accounting standards bill to help broaden capital markets

By Peter Norman in Bonn

Government efforts to modernise and broaden Germany's capital markets move up a gear this week when a bill allowing quoted companies to use international accounting standards will be put to the Bundestag, the lower house of parliament, for final approval.

The plan is one of many measures to open, broaden and deepen the nation's capital markets that the Bonn government intends to turn into law before the general election on September 27.

"Germany's capital markets are too narrow," said Jürgen Stark, state secretary at the finance ministry. Calling for "more flexibility", he announced Germany would align its capital markets with international developments to make them more effective and create jobs.

Edzard Schmidt-Jortzig, justice minister, said the plan to allow the generally accepted accounting principles (GAAP) and other internationally recognised accounting standards could become law on April 1, as part of a bill easing restrictions on raising capital to be given its second and third Bundestag readings this week.

Another bill to enable Germany's financial system to adapt to the euro will have its first Bundestag reading this week with the aim of becoming law after European single currency members have been chosen in May. Legislation to improve corporate governance and controls through a reform of Germany's joint stock companies law is in the committee stage of parliamentary discussions.

The Bonn cabinet last week adopted a 28 page report from the finance and justice ministries that plotted ways of making the German financial system more ready to provide risk capital and attractive for foreign investors.

Mr Stark said the finance ministry was preparing a fourth financial market promotion bill that would become law after the September election in the belief that government and opposition parties agreed on the need for more open capital markets.

The bill would include legislation to make Germany's stock markets more flexible, its bourse supervisory system more efficient and cost effective, and new stock market listing rules. The ministry has also set up a working group to study plans for company pension schemes along British lines for possible inclusion in the bill. Outstanding problems include their tax treatment and how they should fit with German labour law.

Arianespace seeks launch funds

By Christopher Price in Kourous, French Guyana

Arianespace, the world's biggest commercial satellite launcher, has announced plans to raise FFr1bn ($160m) to help fund nearly three times as many launches over the next five years.

The investments will be used to improve the capabilities of Ariane 5, the group's new generation of rocket launcher, including a 50 per cent increase in the payload capacity.

Jean-Marie Luton, chairman and chief executive, said the fresh funds, the first to be raised since the company's formation in 1980, were necessary to "ensure Arianespace's leading position in the satellite launch market place". The company, which is owned by a consortium of 49 European aerospace and financial groups and the French space agency CNES, has around 55 per cent of the commercial satellite market.

However, improvements to Ariane 5 are also likely to be seen as reflecting concern by the European group at the development of larger rockets – and hence bigger payloads – by US, Russian and Chinese competitors.

Ariane 5, which was developed by the European Space Agency at a cost of $8bn, has not yet entered commercial service.

The first test rocket exploded spectacularly in 1996 while a second rocket launched successfully last year. A third and final test rocket will be launched in July and its success is seen as crucial to that of the project's. Arianespace has already placed an order for 20 Ariane 5 rockets.

If it is a success, customers should not be difficult to find. The satellite industry is thriving with dozens of new operators being formed to take advantage of the growth in global communications and new services such as multimedia.

Details of one of these, the Horizons Project, were also unveiled at the weekend by Inmarsat, the international satellite operator. It intends to raise $2bn to fund a constellation of satellites targeting the high speed data market for laptop personal computers.

The improvements to Ariane 5 will eventually raise its capacity from 7½ tonnes to 11 tonnes – allowing it to carry two of the new generation of heavier satellites. The number of launches able to be made per year is set to rise from five to 14. The FFr1bn investment is part of a restructuring of Arianespace which will increase its capital base tenfold to FFr2bn.

The launch of two satellites, one for Inmarsat and the other for Brazilsat, the Latin American operator had to be postponed recently because of bad weather.

NEWS DIGEST

Chubais rejects devaluation

Anatoly Chubais, Russia's first deputy prime minister, has rejected the possibility of a rouble devaluation, saying the recent pressure on the currency reflected investors' concerns about Asia rather than the underlying economy. "Unlike November-December, emotions are now affecting our financial market but there are less real causes for concern," he said. "We are principally struggling with external rather than internal problems."

Last week, the central bank raised the refinancing rate to 42 per cent to try to stem the outflow of foreign funds from the government debt market and ease the pressure on the rouble. Mr Chubais, who described the central bank's move as a necessary "step back", said the outflow of foreign capital from Russia amounted to $1.8bn in January compared with an inflow of $1.2bn. But he accepted the government must overhaul its strained public finances to enable it to lower interest rates in future. *John Thornhill, Moscow*

■ AUSTRALIAN UNION ROW

Three hurt in docks clash

A violent dispute between Australia's maritime union and the national farmers' group escalated yesterday, when three people were injured by union members who tried to prevent them from entering a dock in Melbourne.

The dock has been leased by a company backed by the National Farmers' Federation, the main farm lobby, which has vowed to smash the monopoly held by the Maritime Union of Australia on Australia's waterfront labour. The farmers are attempting to establish a non-unionised stevedoring operation to handle rural exports themselves.

The dispute acquired an international dimension following threats by the International Transport Workers' Federation to impose an international boycott on ships handled in Australia by non-union labour. The ITF, the main umbrella body for maritime unions worldwide, said such ships would be followed around the world by member unions which would thwart their efforts to berth and unload. *Gwen Robinson, Canberra*

■ VIETNAM BUSINESS

Foreign associations allowed

Vietnam, faced with investor fatigue, said it would allow foreign business associations to meet legally for the first time since the country opened up to investment a decade ago.

The official daily Vietnam News said the government would allow foreign businesses that were licensed to invest, trade and "cater" to set up their own associations or clubs, as long as they were "non-governmental, non-political and non-profit organisations".

The authorities have tolerated informal gatherings of foreign business groups – such as an American Chamber of Commerce – for the past three years. However, they have been unable to lobby Hanoi effectively for improvements to the business climate. Contracted foreign investment fell by 40 per cent last year over the previous year's figure. *Jeremy Grant, Hanoi*

■ VIRGIN EXPRESS

Belgian-based crews strike

Pilots and other Belgian-based crew members of low-cost airline Virgin Express went on a one-day strike yesterday for better working conditions, disrupting flights departing from Brussels. Only the Belgian pilots, numbering about 50, were on strike out of the company's total 157 pilots and there were no current negotiations to solve the dispute, according to Paul Skellon, Virgin Express corporate affairs director.

Guy Dessaer, a spokesman for the striking pilots, said their workload had doubled as a result of a change to short-haul flights from charter flights. *Reuters, Brussels*

Criminals beat governments at breaking down borders

Gangs' reach within EU extends to heart of Brussels itself

Europe's power brokers have been talking for years about the need to tackle organised crime in the European Union. But their minds have been focused recently by a spate of incidents in their own back yard.

Since December there have been more than 180 "car-jackings" in Brussels, home to hundreds of wealthy officials and diplomats whose taste for big, smart vehicles has attracted the attention of the masked attackers.

By the time the victims have alerted the Belgian police, the Mercedes, Audis, Golfs and Saabs are usually well on their way to the Polish border in the east or Spanish ports in the south. According to one Belgian policeman, cars sporting the stickers of local Brussels garages are now a common sight in Poland.

The increase in the numbers of car-jackings is symptomatic of a Europe-wide rise in the activities of organised gangs and mafias which specialise in drug trafficking, prostitution, money laundering, arms and radioactive materials.

Criminal experts say the explosion in activity corresponds with the lowering of border controls between most EU member states and the collapse of communism in central and eastern Europe.

"In Russia at the time of the collapse of the Soviet Union, the mafia gangs were one of the few groups that remained organised," said an official from the UK's National Criminal Intelligence Service (NCIS).

He added that the groups were given an extra edge by the frequent presence of former military personnel.

The mafias first made inroads into the Benelux countries and Germany via prostitution. They have since spread their tentacles into other countries and other crimes.

The EU response has been slow and heavy-handed. Although European ministers have been meeting since 1975 to exchange information and experience, progress has been hampered by their reluctance to pool sovereignty in the sensitive areas of law enforcement and justice.

There has also been a lack of trust among police forces in different European countries. Even though ratification of the Maastricht Treaty in the early 1990s introduced official co-operation at an EU level, action has not matched the sophistication of the criminal gangs.

> Although European ministers have been meeting since 1975 to exchange information, progress has been hampered by reluctance to pool sovereignty in the sensitive areas of law enforcement

"Criminal networks benefit from the differences between different justice systems, ensuring almost total impunity," says a European Commission paper.

"An international criminal fraternity has been able to develop and prosper thanks to the inconsistencies between systems in each member state."

So even if the German police capture a criminal driving a car stolen in Belgium, legal obstacles will hinder efforts not only to return the car but also to bring the thief to justice.

The need to do more was highlighted at a meeting of justice and home affairs ministers in Birmingham last week.

"There is no question about the need to improve the mutual arrangements between member states," said Jack Straw, the UK home secretary, who chaired the informal council.

The UK has picked organised crime as a priority for its six-month presidency of the EU.

It has used the Birmingham meeting to put pressure on Belgium, Greece, Italy and Luxembourg to complete ratification of the Europol convention – a move that would allow the so far highly constrained European police intelligence agency to do more to fight organised crime.

Once ratification is complete, the agency, based in The Hague, will assume the power to work alongside domestic police forces investigating cross-border crime.

The ministers also looked at the recommendations of an action plan against organised crime. Points picked out for special attention include work on combating high-tech crime and the swift adoption of a raft of conventions aimed at improving co-operation in legal and justice fields.

The plan also raises the pressing need to help the countries of eastern Europe which are preparing for EU membership to get their legal and justice systems in order.

The task is formidable, especially given the extent to which many of the countries bordering the EU have become home to organised criminal gangs.

"We have to be sure that they follow the rule of law, that their judiciaries are independent, that they are not subject to highly organised crime and that they will be able to police their external borders effectively," said Mr Straw. The justice and interior ministers were therefore yesterday pushing the idea of a pre-accession pact on organised crime for the EU applicants.

Nevertheless, there is a strong conviction that the EU has done too little for the eastern applicants. "Do you really think the French or German police will be ready to share confidential information with the Polish or Estonian police in five years' time?" asked one Commission official.

Emma Tucker

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Thais press IMF to ease curbs

By William Barnes in Bangkok

The Thai government yesterday stepped up its campaign to have the International Monetary Fund's economic austerity programme relaxed.

On the eve of today's arrival of an IMF review team, the finance minister, Tarrin Nimmanahaeminda, said the fund's officials should agree during this third review of the programme that the tight fiscal and monetary straitjacket should to be loosened. This would be needed to take account of the spread of the crisis to the rest of the region in the six months since Thailand agreed to stringent bailout terms.

The Thai government has been careful to keep its demands low-key so as not to frighten the markets, as happened when South Korea and Indonesia tried to avoid a stringent IMF package.

The Bank of Thailand reflected cautious optimism that the Thai economy was on the mend by announcing on Friday that a two-tier system of currency controls introduced to protect the baht had been scrapped.

The baht firmed and the stock market climbed more than 10 per cent on the news.

Yet the economy is expected to shrink by about 3 per cent this year, even as balance of payments and current account figures continue to improve.

The World Bank president, James Wolfenson, said in Bangkok at the start a five-country tour in the region, that the bank would be willing to lend Thailand $300m to lift social security and create jobs for the million or more Thais who are likely to become unemployed as the recession bites.

The World Bank has pledged $16bn to countries in the region since the crisis began last July.

Mr Tarrin admitted that he went to Washington last month specifically to make sure that IMF, World Bank and US officials understood that the country's relatively modest $17.2bn bailout package was designed at a time when it looked as though Thailand might be the principal victim of the crisis.

Since then, demand in Asia – which takes half of Thai exports – had crashed and there had been wholesale capital flight, he argued. Had Thailand been a singular case there would have been plenty of capital in Asia.

The ultimate aim of easing the austerity programme would be to increase liquidity and lower interest rates for businesses suffering from high debts, a desperate cash shortage and a dearth of lenders, Mr Tarrin said.

Thai officials have repeatedly complained about having to cut state spending and raise taxes in the face of a rapidly slowing economy.

The IMF's third quarterly review is scheduled to be completed in time for a new letter of intent to be approved by the Thai cabinet on February 24.

Prince Norodom Ranariddh (left), who was ousted last July in a coup led by second prime minister Hun Sen

Split develops on Cambodia

By Ted Bardacke in Bangkok

The consensus forged among the international community about how to deal with Cambodia is beginning to crack, so making uncertain the future role of Prince Norodom Ranariddh, the country's first prime minister, who was ousted last July in a coup led by second prime minister Hun Sen.

Last month the European Union agreed to provide the Cambodian government with over $11m – the first new grant from a western donor since the coup – primarily to fund voter registration for the country's election, due to be held in July.

But conditions attached to the aid were a far cry from what others in the international community had been pushing Mr Sen to do, diplomats say.

In order to hold elections that are considered "free, fair, and credible", the United Nations, the US, Japan and the Association of South East Asian Nations (Asean) want exiled politicians – including Prince Ranariddh – to return safely to Cambodia, the extra-judicial killings that followed the coup to be investigated, and the newly established National Election Commission to be an independent body. But the EU failed to mention Prince Ranariddh – whom Hun Sen says will be jailed on his return to Phnom Penh – or criminal investigations into the killings.

"Without spelling out real clear and tough conditions, it sends a very wrong signal to Hun Sen," says Prince Ranariddh from his home in central Bangkok.

"Without clear conditions it is a real setback for democracy."

Some European diplomats say the participation in the electoral process of one specific person should not hold the entire election hostage.

"The aid is a vote for the possibility that Hun Sen could hold free and fair elections," says one diplomat.

But Prince Ranariddh says people should be free to choose him if they wish. After all, he did win the last election in 1993 but was forced into a power-sharing agreement with Hun Sen.

The prince acknowledges that if the election goes ahead without him, it will be difficult to avoid being relegated to the sidelines. "France, Japan, Australia, China, Malaysia – they are all ready to endorse the results of just about any election. Hun Sen knows this clearly," he says.

As a result, he argues, moves must be made quickly to ensure he has a role. The prince sees the separate meetings that Chuan Leekpai, Thai prime minister, will hold with him and Hun Sen in Bangkok this month as the last hope for getting a satisfactory settlement. The end of February is his deadline.

If not, he says, he will go back to the jungle to lead the armed royalist resistance, which despite a heavy onslaught from Hun Sen's troops has carved out a niche of Cambodian territory for itself with the help of former Khmer Rouge soldiers.

Labor pledge fuels debate on monarchy

By Gwen Robinson in Canberra

Kim Beazley, head of Australia's opposition Labor party, vowed yesterday that if his party won the next general election, due sometime before May 1999, Australia would have its own head of state by the time of the Sydney Olympic games in 2000.

Mr Beazley's remarks, fuelling the debate about whether Australia should cut its ties with the British monarchy and become a republic, came on the eve of a constitutional convention opening today in Canberra.

Last week, John Howard, the prime minister, urged convention delegates to achieve consensus on a republican model that did not feature a popularly elected president. He said the "least worst" of the republican models proposed so far featured a president appointed by a special council or elected by parliament.

Mr Howard, a declared monarchist, has been forced to acknowledge the growing popularity of republicanism, even within his own Liberal party. Republicans make up the majority of the 152 convention delegates, although half were appointed by the government and half were elected by postal vote.

Mr Howard, Mr Beazley, other MPs and leaders of Australia's states and territories are among the 76 government-appointed participants. The appointees also include university students, former judges, archbishops, senior business figures and well known personalities. The other 76 were elected by a voluntary postal vote and feature Malcom Turnbull, head of the Australian Republican Movement, and Kerry Jones, head of Australians for a Constitutional Monarchy.

Mr Howard will be the most influential participant. He has the power to introduce legislation in parliament that would be necessary to amend the constitution.

After opening addresses by political leaders, convention delegates will debate various aspects of republican models. A vote on the final day, February 13, will probably lead to a referendum on the particular system recommended or, if no consensus is reached, an indicative public poll to gauge the strength of popular support for a republic.

Vehicle sales face sharp fall in Asia

By Peter Montagnon, Asia Editor

Vehicle sales in Asia are expected to fall 29 per cent this year and will not recover to their peak 1996 levels until 2001, according to a forecast from the Economist Intelligence Unit.

The forecast will add to the gloom surrounding the Asian car market. Before the economic crisis hit last summer the region was set to become one of the fastest growing car markets in the world, fed by a substantial increase in regional production capacity.

Instead, the EIU suggests that sales volume this year will return to the level of 1992, wiping out six years of growth. Taken together with a fall of 7 per cent last year, this will amount to a loss of 2.35m vehicles over two years compared with a stable market environment, it said.

The Asia-Pacific will account for only 8 per cent of worldwide vehicle demand this year compared with 11 per cent in 1996.

Sharp falls in demand are expected in South Korea and in the south-east Asian countries worst affected by the crisis. Sales in Indonesia are expected to fall by 70 per cent this year, those in South Korea by 60 per cent, in Thailand by 37 per cent and in Malaysia by 33 per cent.

But the drop in China and India will be more moderate at 5 per cent and 9 per cent respectively.

Falls in output will not be as marked as sales, as South Korea and Malaysia will be able to export some of their production to more mature markets. Nonetheless, a period of rationalisation looks imminent, especially in South Korea, which may have room for only three carmakers, the EIU said, singling out Daewoo, Hyundai and "possibly" Samsung as having the best chances of survival.

Across the region the industry faces intense competition, greater price pressures, fewer incentives from governments and greater pressure to cut imports and increase exports, it said.

All the region's markets are forecast to resume growth in 1999, but for most it will be from very low levels.

Motor Business Asia-Pacific Quarter 1 1998. Economist Intelligence Unit. +171-830 1007. £295/$475.

Bhutto challenge to UK moves

By Jimmy Burns in London

The British government is to face a politically controversial legal challenge from the Bhutto family this week over the UK's decision to assist in the investigation of assets allegedly belonging to Asif Ali Zardari, the husband of Benazir Bhutto, former Pakistan premier.

London lawyers acting for the Bhutto family have filed a request to a High Court judge in London for a judicial review of the government's decision, with the aim of having it declared unlawful. The case is expected to be heard in the High Court on Thursday.

The same lawyers have already persuaded a London magistrates court to order the temporary suspension of a British police investigation into Mr Zardari, pending the outcome of this latest appeal.

Three weeks ago the UK Home Office agreed to a long-standing request from the Pakistani government for assistance in its worldwide investigation into the Bhutto assets.

Assistance was agreed under the 1990 Criminal Justice International Co-operation Act and with reference to the United Nations Convention on narcotics and drugs control, which both the UK and Pakistan have signed.

The legal challenge is being spearheaded by Ms Bhutto, who secretly flew into London two weeks ago to instruct lawyers acting for her and her husband. She has since returned to Pakistan.

The Bhuttos have denied their assets held outside Pakistan were obtained through illegal means and say they are victims of a political vendetta.

Ms Bhutto is thought to be particularly anxious to clear her name in the UK where her sister and her husband's parents live and where she could eventually seek asylum rather than risk imprisonment in Pakistan.

Mr Zardari remains in prison in Pakistan where he has been held since Mrs Bhutto's dismissal from government in November 1996. He has been charged in Pakistan in connection with the murder of Ms Bhutto's brother, Murtaza, and alleged corruption offences. He is also being investigated for alleged links with drug trafficking.

Lewinsky lawyer says Clinton will survive

By Mark Suzman in Washington

The lawyer for Monica Lewinsky, the former White House aide alleged to have had an affair with US President Bill Clinton, said yesterday he believed the scandal would "blow over" and Mr Clinton would not resign or be impeached.

In a series of television interviews, William Ginsburg, Ms Lewinsky's attorney, said he was no longer holding discussions with federal prosecutors over possible immunity for his client and believed the scandal would not have a lasting impact. "It will go away. It will pass," he said. "The president will remain in office."

Mr Ginsburg's comments came as new opinion polls confirmed that Mr Clinton's approval rating was now at its highest level, with the proportion of Americans believing he was doing a good job ranging between 67 and 72 per cent.

A majority of Americans also agreed with assertions by the first lady, Hillary Clinton, that rightwingers were "conspiring" to try to bring down the presidency. Meanwhile, the financially troubled Democrats have seen a sharp rise in campaign donations over the past week as loyalists rally round the party.

However, the polls also showed that a clear majority of the public still believe Mr Clinton should resign or be impeached if he were found to have broken the law by either perjuring himself or trying to persuade someone else to lie under oath.

Meanwhile, several Republican leaders, concerned by Mr Clinton's soaring approval ratings, also broke their self-imposed silence on the allegations. Orrin Hatch, chair of the Senate Judiciary committee, dismissed the polls as irrelevant until all the facts were known. "If the allegations prove to be true, I think he'll be removed from office," he said.

Mr Ginsburg "unequivocally" denied that either he or Ms Lewinsky was part of any political conspiracy. He was unsure if immunity talks with Kenneth Starr, the special prosecutor investigating the matter, would resume. "I don't know if they are over," he said.

Mr Ginsburg also challenged reports by Linda Tripp, the woman who made tape recordings of Ms Lewinsky in which the latter is reported to admit to an affair with the president, that she had overheard a telephone call between the two.

He said Ms Lewinsky continued to stand by a sworn affidavit in which she is reported to have denied any sexual relationship with Mr Clinton. However, he said if Mr Starr granted Ms Lewinsky immunity she would waive her Fifth Amendment constitutional rights not to testify in a planned grand jury appearance. "If the prosecutor grants her immunity, she won't take the fifth," he said.

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Hundreds of people carrying flowers and signs follow the coffin of Rubicel Ruiz through the streets of Tuxtla Gutiérrez. A fellow PRD supporter was killed in a traffic collision after the funeral AP

Mexican peasant leaders killed in Chiapas

Political violence has resurfaced in the southern Mexican state of Chiapas with the deaths of two leftwing peasant leaders critical of the state government, writes **Henry Tricks in Mexico City.**

The killings, complicating efforts to restart stalled peace talks, have increased tensions in the state that were provoked by the massacre of 45 Indians in December at the hands of pro-government paramilitary gunmen.

Rubicel Ruiz, a peasant organiser linked to the opposition Party of the Democratic Revolution (PRD), was last week shot in the back in the Chiapas capital, Tuxtla Gutiérrez. Antonio Gómez, a fellow PRD supporter, died as he left Mr Ruiz's funeral on Friday when the taxi he was travelling in was hit by a truck.

Both victims had been speakers at a recent PRD rally in Chiapas, and had called for new elections in the state after the ruling Institutional Revolutionary party (PRI) governor stepped down as a result of the December 22 massacre. A replacement PRI governor has been appointed.

The attorney-general's office said it would investigate the two deaths, suggesting it believed there might have been political motives.

The government, confronting international condemnation of the massacre, has said it wants to rekindle peace talks with Zapatista rebels, who took up arms in January 1994. But the rebel's masked leader, Subcommander Marcos, yesterday rejected what he called an invitation to a "secret meeting" with the government. In a statement published in newspapers, he said he received the proposal in a sealed envelope from the interior minister, Francisco Labastida Ochoa, delivered to him by intermediaries in the Catholic Church.

Mr Labastida Ochoa was appointed to the post in early January after his predecessor resigned following the massacre. It was apparently his first effort to contact "Marcos" directly.

US rights report angers Beijing

By Heather Bourbeau in Washington and Agencies

China yesterday attacked a US State Department report criticising Beijing's human rights record, saying it was only an excuse to meddle in its internal affairs.

Washington had "made irresponsible remarks about China's human rights situation, wilfully distorted the truth [and] made unwarranted charges", the official Xinhua news agency quoted the foreign ministry spokesman, Zhu Bangzao, as saying.

The State Department said on Friday in its annual human rights report that China still abused fundamental freedoms of its people in spite of progress on some fronts.

Mr Zhu dismissed the criticisms, saying China had made great advances in improving the political, economic and social rights of its 1.2bn people.

The US's annual report comprises news on 194 countries or regions and is presented each year to Congress to aid in shaping policy, diplomacy and resource allocation decisions. In addition, the reports are the basis for US co-operation with international human rights organisations.

It said greater personal freedom must go together with economic developments for the long-term protection of human rights, so highlighting a common policy of delaying individual rights until economic stability and security were obtained.

Condemnation in many of the reports is offset by the encouraging profiles of countries such as Romania and the Philippines. "The experiences of Poland, Costa Rica, the Philippines and Botswana demonstrate that the roads to prosperity and democracy are one and the same."

But the State Department says more governments are restricting workers and religious freedoms.

Caterpillar to meet union after two years

By Nikki Tait in Chicago

Caterpillar, the big US construction, mining and agricultural equipment company, will today sit down with representatives of the United Auto Workers' union for the first time in over two years in a bid to end one of the most bitter labour disputes in recent US history.

The company, the world's largest maker of construction and mining equipment, and its unionised workers have been at loggerheads for over six years. The dispute began in 1991, when Caterpillar decided to break the union's insistence on industry-wide agreements, saying it needed more flexibility to compete successfully.

The UAW went on strike twice, the second time involving a stoppage of 17 months and 8,700 workers. But the company kept running, using white-collar staff, newly hired employees, and about 4,000 union workers who crossed picket lines.

As Caterpillar started to post record profits, local Midwest communities became deeply divided over the wisdom of the industrial action. Eventually, the strikers returned in 1995, but decisively rebuffed the company's offered contract, still leaving employees without an agreed deal.

Today's talks are the first between the company and the union – which still represents 13,000 people at Caterpillar plants in four states – since the strikers returned. They are being convened under the auspices of John Wells, director of the Federal Mediation and Conciliation Service, who led the mediation team in the UPS/Teamsters dispute last summer.

Neither the company nor the union is keen to predict the outcome, although Caterpillar says it is pleased to be back at the negotiating table, and the UAW has also expressed guarded optimism.

Some groundwork has been laid. Caterpillar and the UAW began new talks at local level, centred on work-rule issues which are specific to individual plants, in mid-December. Since then, the two sides have struck deals at six of the seven main sites – the exception being York, Pennsylvania. However, the deals need to be supported by an overall settlement.

The equipment maker also has good reason to hope for a successful outcome: Caterpillar has seen hundreds of unfair labour practice claims filed against it, and a number of early rulings in these have gone in the union's favour. While this does not trouble Wall Street – "It's an old issue" says Alex Blanton at Ingalls & Snyder in New York – a settlement structure for these claims could be part of a deal and truncate a long legal process.

Industrial relations experts, meanwhile, are cagey about drawing firm lessons until a final settlement is reached. But the UAW's decision to fight over the issue of industry-wide agreements is widely deemed to have been a hopeless cause.

"In worldwide markets, when large manufacturers are competing, it's always going to be difficult to maintain an industry-wide agreement," says Professor Robert Topel, at the University of Chicago. "It was ill-advised to pick a fight over [this issue]."

Caterpillar's rivals, meanwhile, acknowledge privately that the Peoria-based company's stance may have made it easier for them to win labour concessions. Last year, for example, John Deere, the big tractor and combine manufacturer based in nearby Moline, signed a new six-year contract with UAW last year, after fairly painless negotiations. This will allow the company to hire new employees at lower wages – a concession which is expected to help reduce the tractor maker's costs.

Rules on circuit breakers modified

By Tracy Corrigan in New York

Temporary rule changes governing trading halts on US exchanges known as circuit breakers, triggered when the market falls rapidly, come into effect today.

Following the closure of the US stock market on October 27 last year, when circuit breakers were triggered for the first time, regulators and exchanges have been debating changes to the rules, and the temporary changes are required because the existing rule scheme expired on Saturday.

Under the old rules, trading on US exchanges halted for 30 minutes when the Dow Jones index dropped 350 points, then for 60 minutes when it dropped 550 points. The modified rules state that after 2pm, the 550-point trigger will result in a 30-minute, instead of 60-minute, halt but trading will not resume if the 550-point threshold is reached after 3pm. Also, after 3pm the 350-point circuit breaker will be removed, allowing trading to continue until the 550-point threshold, or the 4pm close.

After the circuit breakers were used in October, the 350-point and 550-point triggers were widely viewed as too small.

On Thursday, a New York Stock Exchange proposal will be debated by the exchange's board. Regulators have already criticised one aspect of the proposal, the automatic closure of the market for the rest of the day following a 20 per cent share price fall. Many regulators fear that market closures may erode investor confidence, and some have questioned the effectiveness of trading halts, arguing that they may do as much to stir as to stem panic.

The modified rules have been approved by the Securities and Exchange Commission, which regulates the US market, and will remain in force until April 30.

Grand jury to hear spy claims

Reuters alleged to have stolen data from rival Bloomberg

By Richard Waters in New York and Vincent Boland in London

A federal grand jury is expected to hear evidence this week of industrial espionage by a US subsidiary of Reuters, the news and financial information group, in connection with the alleged theft of data from Bloomberg, its US rival.

As a US investigation widens into allegations that Reuters hired specialists to steal confidential information from Bloomberg computers, the grand jury is to consider whether there is enough evidence to mount a criminal case against Reuters Analytics, based in Stamford, Connecticut, the unit at the centre of the allegations.

Reuters may also be investigated by the London stock exchange over claims that it delayed the announcement of the federal investigation into Reuters Analytics.

Reuters shares have fallen sharply since it announced last Thursday that the investigation was being carried out. However, a spokesman in London said yesterday: "We are quite satisfied that the timing and substance of our announcement were entirely appropriate."

The company is thought to have hired Wachtell Lipton Rosen & Katz, a New York law firm, more than 10 days ago to conduct its own review into the industrial espionage allegations. However, one person close to the British company said there was no legal requirement to disclose such a criminal inquiry until the company had reason to think it would affect its share price.

Three senior executives of Reuters Analytics have been suspended on paid leave during the inquiry. They include Hubert Holmes, head of the unit, and Jeff Walker, an employee who reported to him.

All three are understood to be resident in the US, but they reported to London-based directors. According to the New York Times, contacts between the Reuters Analytics executives and London-based executives in recent months have been monitored by US investigators to discover if knowledge of the alleged espionage had found its way to the company's head office.

From 1993 to October 1996, Mr Holmes reported to David Ure, a Reuters director who was at one time in the running to become chief executive. Mr Holmes has reported recently to John Parcell, another director.

Mr Ure and Mr Parcell made regular visits to Stamford, although it is not clear what they knew of the business practices that are now under investigation. Reuters said last week that Mr Ure visited "once or twice a year".

The grand jury investigation could affect the group's efforts to sell a product called Reuters 3000, regarded as an important effort toward gaining market share from Bloomberg in the US.

Reuters 3000 combines the news information and equity data in which the company has traditionally specialised with data and analytical tools for bond markets.

Aborted cricket match means loss of face – and of $1.5m

West Indies count cost of failing the test

By Canute James in Kingston

In its first official estimate, the West Indies Cricket Board said over the weekend that it would lose at least $1.5m from last week's aborted test match against England in Jamaica, and the losses could be higher if the board has to repay advertisers, contractors and tour operators.

The losses from the abandoned match, the first of England's tour, will worsen the already parlous finances of the board, which recorded a loss of $267,038 in the year to September.

The board is likely to face claims from tour operators, mainly in Britain, which sold holidays to Jamaica with the test match as the main attraction. The England and Wales Cricket Board is to discuss compensation with the West Indies board, according to Tim Lamb, chief executive of the ECB.

The debacle is almost certain to rob the West Indies board of any chance of success in its effort to stage the World Cup tournament in 2003. Although South Africa has been selected for the tournament by the International Cricket Conference, the West Indies maintain they should host the competition, based on earlier promises.

The West Indies board has started refunding tickets bought for the match. "We had anticipated gate receipts of around $400,000 from the five days," said Steve Comacho, chief executive. "Now we have to add the cost of putting on the match elsewhere and the refunds on tickets. This is a big blow to West Indies cricket in every way."

The match was abandoned on Thursday after an hour – it should have lasted five days – when officials said the new pitch was unfit for play and dangerous to players. England had lost three batsmen for 17 runs, but several batsmen, particularly Alec Stewart, had been hit repeatedly by balls which behaved erratically after bouncing.

The West Indies board will also have to stand the added cost of changing the tour schedule and adding a match to start on Thursday in Trinidad.

England vice-captain Nasser Hussain loses his wicket to Curtley Ambrose AP

The aborted match is also adding to the costs of Trans World International, which is providing live television coverage of the series.

To ease the disappointment of visiting spectators, Percival Patterson, Jamaica's prime minister, hosted a party for the mainly British fans, while leading hotel chains have offered discounted holidays at the island's main resorts for the visitors.

The West Indies board could suffer further embarrassment with the tour schedule. An agreement between Guyana's political parties has ended a month of violence in the capital Georgetown, raising hopes that a test match will go ahead there.

However, there is still uncertainty whether the Antigua Recreation Ground, which is being renovated, will be ready, although Andy Roberts, the former West Indies fast bowler responsible for the Antigua pitch, said: "We will have a very good pitch ready on time."

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Mideast talks to resume in US

By Avi Machlis in Jerusalem

Israel and the Palestinians will send a delegation to Washington late next week for a new round of talks aimed at jump-starting the stalled peace process, Madeleine Albright, US secretary of state, said yesterday.

Mrs Albright said she was "not as satisfied" as she hoped to be with responses by Israeli and Palestinian leaders to recent efforts to break the deadlock. But "some minimal progress" had been made in talks at the weekend with Benjamin Netanyahu, Israeli prime minister, and Yassir Arafat, president of the Palestinian Authority. She appealed to both sides to "make the difficult decisions" necessary to revive the process.

Peace talks have been deadlocked over Palestinian objection to Israeli settlement policies and Israel's refusal to agree to a troop redeployment from a "significant" portion of the Israeli-occupied West Bank, as the US has urged. Israel, meanwhile, demands Palestinian compliance with a list of grievances.

One dispute is over a Palestinian commitment, made in the original Oslo declaration of principles in 1993, formally to revoke articles of the Palestinian covenant that deny Israel's right to exist. Palestinian officials say the Palestinian National Council made the changes in a 1996 resolution. Israel, they say, is using the dispute as an excuse not to carry out its side of peace agreements.

Mr Arafat recently sent letters to President Bill Clinton and Tony Blair, Britain's prime minister, spelling out which articles of the covenant the Palestinians considered invalid. Mrs Albright yesterday described this move, as well as a meeting of the Palestine Liberation Organisation's executive committee which discussed the issue at the weekend, as "an important step forward".

Albright will find little Mideast enthusiasm for a strike against Iraq

Arabs to urge US restraint

By Roula Khalaf in London

Madeleine Albright, the US secretary of state, is likely to hear appeals for greater diplomacy and little enthusiasm for war with Iraq during her Middle East tour.

Mrs Albright, who arrived in Kuwait yesterday before travelling on to Saudi Arabia, Bahrain and Egypt, was expected to tell Arab leaders that diplomatic options would continue to be pursued, but that they were running out.

She will also emphasise that opposition to military action from key Gulf war allies such as Saudi Arabia and Egypt would send the wrong message to Saddam Hussein, Iraq's president. US officials say that an appearance of unity among former Gulf war allies, on the other hand, might encourage him to bow to the diplomatic pressures and abandon his obstruction of the United Nations inspections aimed at ridding Iraq of weapons of mass destruction.

Kuwait, victim of Iraqi aggression in 1990, remains the US's strongest ally in the Gulf, although the appetite for military action against Iraq is eroding even there.

Mrs Albright's most critical meetings will be in Riyadh and Cairo. In remarks in the Egyptian press President Hosni Mubarak said the time was inappropriate for a military strike on Iraq, a move which would only raise tensions in the region. "I urge the Iraqi leadership to contain the situation for the sake of the Iraqi people," he said.

Although Arab leaders – especially Gulf rulers – want to avoid playing into the hands of Mr Saddam, they fear a military strike that falls short of removing him could boost his popularity and further damage the standing of the US.

The challenge facing Mrs Albright is that the Arab world has changed since the Gulf war to the detriment of the US-Arab relationship. US credibility is at a low, with Washington seen as having failed to press Israel to honour its commitments to relinquish conquered Arab land, and the sanctions against Iraq and the starvation of Iraqi children have become untenable to Arab public opinion.

With the collapse of the peace process, Syria – Iraq's historic enemy, run by a rival branch of the Baath party – has been mending fences with Baghdad, in an effort to close Arab ranks against Israel.

In Saudi Arabia, Crown Prince Abdallah ibn Abdel-Aziz is now in effect running affairs and will be receiving Mrs Albright. He wants closer ties with Arab states and his comments at the December summit of the Gulf Co-operation Council (GCC) – grouping Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – calling on member countries to put behind "past sufferings and events" was interpreted as referring to Iraq.

A Baghdad newspaper kiosk yesterday covered in pictures of Saddam Hussein AP

At the same time, however, few Arab governments want to show fading resolve for Iraqi compliance with UN resolutions or highlight the growing disunity and disarray of the international community. At the GCC summit, the UAE's call for a softer line on Iraq led to a proposal by Sheikh Zaid ibn Sultan al-Nahyan, UAE president, for a GCC delegation to be sent to Baghdad to press the regime into complying with UN resolutions. The proposal met with stiff Kuwaiti resistance and the GCC statement on Iraq which emerged at the end of the summit was tougher than expected. The harsh tone was strongly criticised in the Arab press, which saw it as the result of an attempt to conceal any hint of divergence in GCC attitudes.

Titanic album gets off to record start

By Alice Rawsthorn

While the movie *Titanic* continues to break box office records in cinemas all over the world, the film's soundtrack album is setting new records in the music business.

The album, released by the classical music subsidiary of Sony Music, sold 664,594 copies last week in the US, where it has topped the chart for 10 weeks, and is now selling strongly in other countries.

Sony Music, which admits that it initially underestimated the level of demand for the album, has stepped up production and will distribute nearly 2m copies to European retailers and over 1m in Asia.

The soundtrack market has shown strong growth in recent years, buoyed by the popularity of the rock albums linked to cult youth films, such as *Romeo & Juliet* and *Trainspotting*, and classical releases, notably *Shine* and *Immortal Beloved*.

Yet no recent soundtrack has sold as swiftly as *Titanic*, which consists mostly of instrumental music written specially for the film by James Horner, the US composer.

There is only one song on the album, *My Heart Will Go On*, by Celine Dion, Sony's best-selling French-Canadian singer, whose latest album, *Let's Talk About Love*, was dislodged from the top of the US chart by *Titanic*.

When the *Titanic* soundtrack was launched in the US and UK in November, before the film came out, sales were sluggish. Sony only sold 3,299 albums during the first week in the US, and a similar number in the UK.

Sales soared as soon as the movie was released. Sony sold 121,827 copies of *Titanic* after the film's first week in US cinemas. Many retailers ran out of stock, and Sony had to increase production to keep pace with demand. It has now sold over 1.6m copies in the US, and the company has outstanding orders for another 1m.

A similar pattern has been replicated in other countries after the release of the movie. *Titanic* is now the number one album in 10 countries, including France and Australia, as well as in the US.

The best-selling soundtrack album ever is *Saturday Night Fever*, which has sold over 26m copies worldwide since its 1978 debut, according to the Guinness Book of Records.

Despite the recent rise in soundtrack sales, no subsequent release has come close to matching *Saturday Night Fever*.

OECD ministers in drive to share industrial policies

By Stefan Wagstyl, Industrial Editor

Ministers from the world's industrialised nations will this week launch an international effort to co-ordinate the development of new industrial policies to boost employment, incomes and economic growth.

How to share industrial policies will top the agenda at the first meeting of industry ministers from the Organisation for Economic Co-operation and Development. Each of the 29 member countries will highlight examples of successful policies in key fields including education and training, promoting research and development and investment, and encouraging small businesses.

Margaret Beckett, the British trade and industry secretary, will chair the two-day meeting, which begins tomorrow in Paris. British officials said the OECD had asked Mrs Beckett to take the chair because of the UK's recent role in pioneering economic policies.

The OECD said the meeting was being called in response to demands for industrial policies to tackle the challenges of globalisation, deregulation and technological progress. For example, new accounting methods might be needed to cope with the fact that an increasing proportion of a company's value was now embedded in the collective knowledge of its workers, and not in physical assets. Traditional accounting treated training costs only as an expense; perhaps they should also be treated as an addition to capital, said OECD officials.

They said that while policies were primarily implemented by government on a national level, there was room for the OECD to contribute through comparative research. Mrs Beckett said: "It's conventional wisdom that companies do benchmarking. Now governments are beginning to do this." It would be very useful to make international comparisons of industrial policies, she said.

The OECD said: "These issues have a growing international dimension. Ministers will highlight areas in which co-operation among OECD countries is required to improve the business environment and enhance asset creation."

Sound macroeconomic policies, balanced public finances, monetary stability and widespread liberalisation of trade and investment had boosted growth in many countries, said the OECD. But there were still gaps in national economic performance, which suggested that differences in microeconomic policies had a significant effect.

Tighter watch on loans urged

By Robert Chote, Economics Editor

Central bankers have urged the Bank for International Settlements to step up its surveillance of the cross-border loan exposure of private sector banks, reflecting the concerns about financial sector soundness in some emerging markets highlighted by the Asian crisis.

At present the Basle-based organisation collects data every six months on the maturity and sectoral distribution of international lending by the private sector institutions that report to its member central banks. The BIS is examining ways to make the statistics more timely, meaningful and comprehensive.

Instead of publishing statistics twice a year, seven months in arrears, the BIS is considering collecting data once a quarter and publishing it with a shorter time lag. Its latest figures, published earlier this month, showed that the maturity of international lending had shortened in the first half of 1997 and that claims on the non-bank sector were growing in importance. But the time lag was too long to show the impact of the Asian crisis.

WORLD ECONOMIC FORUM

The international lending figures could be made more meaningful by identifying the country of the ultimate borrower, rather than simply the country of the immediate borrower. Officials believe, for example, that most banks can identify when a loan to an immediate borrower in Hong Kong is simply being channelled to an ultimate borrower in mainland China.

The BIS cannot provide information on this basis at present because some countries are unwilling to enforce the reporting requirement on their private sector banks. But central bankers from the Group of 10 industrial countries are reasonably confident that there will be a change of heart, in the light of recent events in Asia. The figures could also be made more comprehensive by increasing the countries covered by the data.

The quality of statistical reporting by banks is also likely to prove problematic as the BIS continues its work on banking standards for emerging markets, analogous to the Basle standards that are applied in industrial countries. Accounting conventions pose difficulties here, as not even the G10 countries can agree on consistent definitions of poor quality and non-performing loans.

The need to step up surveillance of emerging country banking systems is likely to be a key theme at the next ministerial meeting of the International Monetary Fund in the spring. The Group of Seven industrial countries are expected to boost the initiative when its finance ministers meet in London next month.

Obstacles litter road to US-EU pact

Talks to promote trade flows are fraught with risks, writes Guy de Jonquières

The talks between the US and the European Union on promoting trade and investment flows may mark the opening of a new chapter in the history of transatlantic relations. But both sides are acutely aware of the danger that, when they come to turn the next page, they may find it blank.

The goals are ambitious. By seeking to lay the foundations for what one EU official calls a transatlantic marketplace, they hope to boost recent efforts to foster closer US-EU economic co-operation and tackle irritants which have bedevilled trade relations.

However, Washington and Brussels know the project could easily backfire. Both have still to line up solid political support for it. Even if they succeed, there is a risk that their efforts to remove barriers around each others' markets could end in deadlock.

As a consequence, the small number of senior officials directly involved are cloaking their ambitions with public caution. "We haven't decided anything yet. But there is enough interest in the idea for people to say that we should take the next step and assess the feasibility of strengthening our trade and business relationship," said a senior US official.

Although ostensibly about trade issues, the talks' underlying motivation – and ultimate objectives – are largely political. The priority for Europe, and the foreign policy establishment in Washington, is to keep the US firmly engaged internationally.

Earlier fears that the US would turn inward after the end of the cold war have been replaced by worries that it may retreat into economic isolationism. Concern has been heightened by President Bill Clinton's failure to win fast track trade authority in November and warnings that a rise in the US trade deficit due to Asia's financial crisis risks triggering a protectionist backlash.

Sir Leon Brittan, the EU trade commissioner, who first floated the transatlantic marketplace initiative, hopes it will help Mr Clinton rally domestic support for further trade liberalisation – and eventually for US participation in a new global trade negotiating round.

US observers agree it would be easier to win backing for negotiations with the EU than for the planned Free Trade Agreement of the Americas, opposition to which contributed to the failure of fast track last year. "The labour unions and Democratic leaders in Congress might well embrace a trade deal with Europe," said Clyde Prestowitz of the Economic Strategy Institute, a Washington think-tank.

Two other positive factors are at work. One is that the presidency of the EU is currently held by Britain, whose prime minister, Tony Blair, is close to Mr Clinton. The other is that east Asia's economic turmoil is reviving US business interest in Europe's mature but stable markets.

Nonetheless, uncertainties remain. Congress has yet to be sounded out, and the EU Council of Ministers formally consulted. France is also said to be sceptical. The project could be derailed if the US fails to resolve its dispute with the EU over trade sanctions legislation and imposes penalties on Total, the French oil group, over an Iranian gas deal.

Deciding which trade barriers to tackle will pose big challenges. Eliminating already low US and EU tariffs on many industrial products should not be too difficult. There is also probably scope for more mutual recognition agreements, designed to overcome technical standards differences.

However, hopes of demolishing bigger trade barriers could face political roadblocks. Powerful US domestic lobbies are determined to keep its textiles tariffs high and its shipping market protected, while US pressure on the EU to liberalise trade in agriculture or audio-visual services would arouse French-led opposition.

US officials hope, nonetheless, that the EU might be ready to improve access to its agriculture market by reforming its cumbersome procedures for approving new genetically-modified foods – a growing source of disputes with Washington. They also see scope for compromise on some types of audio-visual services.

Another potential stumbling block are US demands that any transatlantic agreement include provisions on labour and environment standards.

The EU and US will also need to convince other governments that any liberalisation they agree will be extended to the rest of the world. Failure to do so would prompt accusations that the world's richest countries were clubbing together to discriminate against other partners.

That could antagonise trading partners and fragment the global trade system. Sir Leon is well aware that doing so would undermine his claim to champion multilateralism, and his hopes of using the transatlantic initiative as a springboard for a world trade round.

UK attractive for US institutions

Leading US financial institutions are considering moving large parts of their business from New York to London because Britain offers a more attractive regulatory regime, Robert Chote reports.

One leading US institution has recently completed an exhaustive one-year study of more than 30 regulatory jurisdictions, after which it concluded that the UK was the most attractive place to do business.

He said the UK was an attractive location because the capital requirements imposed by regulators took into account the riskiness of each institution's activities. The US imposed less flexible requirements.

However, the US Securities and Exchange Commission is planning to introduce risk-based capital rules for limited purpose broker-dealers, which will erode the UK's competitive advantage.

Business sees opportunities in Asia crisis

By Tony Jackson and William Hall

The world's economists and analysts gathered at Davos may be gloomy about Asia, but business leaders are remarkably upbeat. Although the next two or three years will be tough, thereafter the region should emerge stronger than ever, they say.

Göran Lindahl, chief executive of engineering group ABB, said: "It is buy time. In many countries, companies are for sale at a discount. In the past ABB has been interested in greenfield projects and partnerships. Now it is time to look for acquisitions."

Takeshi Kondo, head of international operations at the Japanese trading house Itochu, said: "Once reforms take effect, we will see the Asian economies freer, fairer and more transparent than before. This may be the time for us to acquire low-cost assets for future growth."

The next two or three years, he said, would be very difficult for everyone. Thereafter, the Asian region should emerge with even stronger fundamentals.

Edward Hagenlocker, Ford vice-chairman, said his company expected vehicle sales in Korea to drop 40 per cent this year, while the fall in other markets could be larger.

"But that's a one to three year thing," he said. Ford's investments were long-term in nature, and would not be affected by short-term fluctuations.

Mr Lindahl said that in October he had estimated it would take one to two years for south-east Asian economies to recover. He now believed it would be two years or more, but not as long as five years. "There are signs of levelling out which could mark the start of a gradual upturn," he said.

Parallels with South America were encouraging. "These countries are stronger now than before the Mexico crisis," he said. "The same will happen with south-east Asia. Once it starts to turn up it can go very, very fast."

There were some cautionary notes. Jaime de Ayala, head of Ayala Corporation, the Philippine trading house, warned that foreign companies acquiring assets cheaply now might face a popular backlash later.

> 'It is buy time. In many countries, companies are for sale at a discount' – ABB chief executive

"We must accept the fact that the high penetration by western companies in Asian markets will be seen as an imposed solution," he said. "Unemployment and labour activism will be a big issue, and there will be nationalism and ethnic tensions."

Other businessmen said that at present, local companies were handicapped by the shortage of credit in the region. Tim Beardson, chairman of the Hong Kong merchant bank Crosby, said: "Exporters are getting orders, but they cannot always respond to them due to the contraction of trade finance."

David Eldon, head of the Hongkong and Shanghai bank in Hong Kong, claimed the problem was confined to smaller banks.

"The major banks are still financing," he said. "I believe there is sufficient finance available in the region for those who want to export."

Monsanto to assess eco-costs of work

By William Hall

Monsanto, the US chemicals company under fire from consumer groups for its genetically engineered food products, plans to introduce an environmental accounting system to assess the environmental costs of its activities.

Robert Shapiro, Monsanto's chief executive, said he had asked his finance department to find out the approximate cost of Monsanto's impact on the environment. Although there is still no consensus on corporate environmental accounting, Monsanto hopes to start publishing its own version as part of its 1998 corporate accounts.

Monsanto's decision reflects Mr Shapiro's belief that if the developed world is to have a sustainable long-term future, governments and corporations must try to quantify the scale of their impact on the environment and the world's limited resources.

If development was to continue it would require a quantum leap in new technologies to avoid a replication of the west's "hugely wasteful" technologies and policies. "We have been operating, like most of the world, on a basis that cannot continue," said Mr Shapiro.

Mr Shapiro is pinning his faith on breakthroughs in the interlinked areas of information technology and biotechnology to satisfy the growing appetites of consumers in the third world.

Satisfying consumer demands by more intelligent application of information was one solution. Another was the biotechnology revolution, he said. Since Monsanto introduced a genetically engineered insect resistant seed two years ago, demand for insecticides had dropped dramatically.

The key would be to redesign the economic system and means of value delivery without consuming more resources.

Call for consul mergers to cut costs

By John Kampfner, Chief Political Correspondent

The Treasury is urging the Foreign Office to merge UK consular work abroad with that of other European Union countries in a cost-cutting exercise that could raise fears over sovereignty.

A memorandum last month from Alistair Darling, Treasury chief secretary, suggested savings could be made in combining staff and administration in overseas consular departments. He identified the newly independent countries of Central Asia and other former Soviet republics as possible first sites.

The Foreign Office, which has seen its budget cut from £1.27bn ($2.12bn) in 1991-92 to a projected £1.06bn for 1997-98, is being forced to look again at its running costs as part of the comprehensive spending review. The review of its overseas estate will get under way in the next few weeks.

"We're looking from scratch at every aspect of our functions," said a Foreign Office official.

The Foreign Office has long been seen by the Treasury – under Conservative as well as Labour governments – as an easy target for cuts, with many MPs questioning the need for grand embassy buildings, residences and receptions.

Commercial departments of embassies are being protected from any move to combine activity, as this would impinge on UK trade prospects. While Britain cooperates informally with EU partners on certain political work from chancery departments, scope there for merging is also seen as highly limited. This leaves open the prospect of officials from several EU countries processing consular work – such as new or lost passports and visas – and other inquiries jointly.

Foreign Office officials have told the Treasury that, with Britain vowing to stay outside the Schengen agreement on open borders within the EU, immigration matters would have to stay separate.

Britain already shares premises with Germany, France, Italy and others in some former Soviet states, while representing other countries' consular and other interests on a temporary basis is an established practice.

What is more controversial, especially to Eurosceptics, is the idea of a permanent pooling of resources, even in non-sensitive areas.

Another possibility being considered is shutting down consulates in non-capital cities and replacing them with a telephone hotline number linking UK nationals in that area directly with officials in London to handle their queries.

Ministers point to a cut in the number of UK diplomats posted overseas in recent years, even though the number of missions has increased to 222 in 189 countries.

Seeking to trim the 'Ivy League' growth

Oxford University looks to its great English rival, rather than across the Atlantic, as it seeks inspiration

"Oxford is not in crisis," insists Sir Peter North, a former vice chancellor of the ancient university and chairman of the most important committee of inquiry into its affairs for more than 30 years.

Seven hundred years after itinerant scholars founded the first college on the banks of the river Isis in the city, Oxford remains at the apex of the UK's higher education system: top of the research rankings, top of the fund-raising league tables and, with Cambridge, top of the pile for recruiting the best qualified school-leavers.

These are, however, domestic performance indicators and do not tell the story of Oxford's international status.

Most commentators would still rate Oxford as a world class university – although reliable international comparisons are hard to find.

But there are grumbling noises, emanating from within the university itself, that Oxford is slipping behind the great US "Ivy League" institutions such as Harvard and Yale.

The North Commission's report is a clear attempt to stop the rot: a 600-page supplementary volume features a detailed analysis of the system of governance at Harvard and Stanford.

What is not clear is whether the recommendations will do the trick. For one thing, Oxford may not vote for change. The last great Oxford review – by the Franks Commission in the mid-1960s – was not fully implemented by conservative lecturers who favoured such inefficient relics of the past as the Hebdomadal Council, the university's main executive body established during the reign of King Charles I in the 17th century.

But even if today's less conservative lecturers do adopt the North recommendations, there is little guarantee that Oxford will be able to keep pace with the US.

The North report represents a considerable rejection of the US Ivy League model, even though this is a proven winner in recruitment, research and fundraising. "Yes," says Sir Peter. "We looked at Harvard, but we decided it was not for Oxford."

It has ruled out following Harvard by "going private". This is understandable. Oxford would take 100 years to raise the £2bn ($3.3bn) needed to survive in the private sector, according to the commission's report.

Even then, this would leave Oxford trailing behind Harvard, which enjoys an endowment of $11bn.

More controversially, it rules out any prioritising of the growing postgraduate body.

Gareth Williams, professor of higher education at London University's Institute of Education, says this is "a dangerous policy" because "the future of elite universities is going to be with postgraduates".

Oxford has seen the proportion of postgraduates increase to nearly a third – from about a fifth 30 years ago.

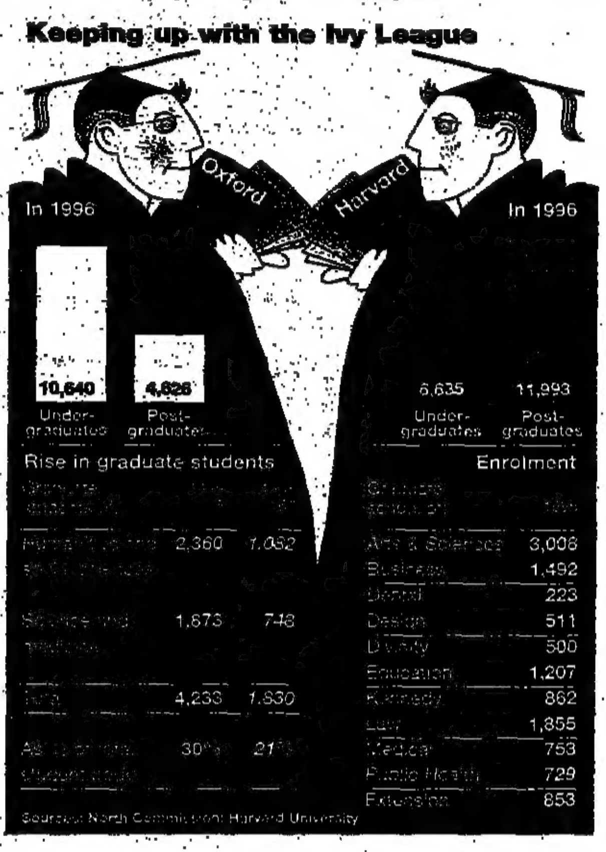
Harvard has nearly three times as many graduates, not least because it has a list of tailor-made graduate schools. The North Commission rejects graduate schools as neither "helpful or desirable".

So where does Oxford look for inspiration? If anything, the North Commission holds up Oxford's great English rival as the ideal model. Oxford students may mock Cambridge, but Sir Peter and his seven committee members chose to pepper their report with favourable references to what is jokingly described in Oxford as "the other place".

Meanwhile, and ironically, Cambridge is looking across the Atlantic – not only negotiating cutting-edge deals with US firms such as Microsoft, the computer giant, but also taking notes from Harvard on recruiting the most brilliant students.

Simon Targett

Keeping up with the Ivy League



Cambridge considers admissions shake-up

Cambridge University is considering plans for a radical new admissions system modelled on the "needs blind" policy of Harvard University in the US, Simon Targett writes.

The plans, put forward by the university's taskforce on access, are designed to boost Cambridge's share of brilliant students from UK state schools.

It could mark the return of entrance scholarships which were phased out in the 1980s because, ironically, they were seen to favour pupils from fee-paying private schools who tended to be better prepared for the now-extinct entrance examination.

Harvard's "needs blind" policy, introduced in the 1970s, has helped the university attract talented students regardless of their ability to pay the large fees, which stand at $30,080 a year.

Some 70 per cent of students receive some financial help – either a scholarship, a loan or the offer of a clerical job on campus.

It is expensive – £70m a year – but it means that two-thirds of Harvard's US undergraduates come from state-funded schools, compared with one-third from fee-paying private schools.

This is a ratio which impresses Cambridge admissions chiefs. The university takes fewer than 50 per cent of its UK students from state schools.

Sir David Harrison, master of Selwyn College and chairman of the taskforce, said: "We are looking at Harvard's 'needs blind' admissions policy, and although we are a long way short of it now, it remains a goal."

UK NEWS DIGEST

Boost for BAe Airbus project

The government has agreed to invest £120m in a new range of Airbus Industrie aircraft in spite of initial objections from the Treasury, which argued that British Aerospace, an Airbus shareholder, should fund the project itself. The government's decision, which could be announced as early as today, represents a victory for the Department of Trade and Industry, which backed the project from the outset and is believed to have won the support of the prime minister. The government has, however, driven a hard bargain with BAe to ensure that the taxpayer receives a commercial rate of return on the project.

The new aircraft, which are based on the Airbus A340, are designed to enable the four-nation European consortium to compete more effectively with Boeing of the US in the large jet market. The two new models planned by Airbus are the A340-500, a long-range aircraft, and the A340-600, a 380-seat jet which will compete with the Boeing 777 and smaller versions of the 747. Airbus – which is owned by BAe, Aerospatiale of France, Daimler-Benz Aerospace of Germany and Casa of Spain – has already received firm and provisional orders for 100 of the new aircraft from carriers such as Virgin Atlantic of the UK and Lufthansa of Germany. *Michael Skapinker*

■ CHANNEL TUNNEL RAIL LINK

Railtrack considers rescue plan

Railtrack's directors meet today to discuss the potential rescue of the high-speed Channel tunnel rail link, following the government's refusal last week to bail out the project's original promoters, London & Continental Railways. But Railtrack has been taken aback by the scale of the problems at Eurostar, the train service managed by LCR. "It has come as a shock," said Philip Dewhirst, a Railtrack official. "We have seen a fair amount of detail in terms of the project itself – the construction detail – but not the train performance numbers. We are learning as we go along. We will run new data."

Kvaerner, the shipping and construction group, is also considering whether to take over from LCR. Virgin Group and National Express, both LCR shareholders, are also keen to participate in a resurrected project. Meanwhile, the government signalled its hope that the link would be built in spite of the LCR fiasco. John Prescott, deputy prime minister, was reported over the weekend as saying that if LCR could not come up with an alternative proposal within a month, there would be "a re-bidding situation". *Charis Gresser*

■ DRINK DRIVING LAWS

Motorists face tougher limit

A two-tier system for punishing drink-drivers will be signalled today by the government. A consultation document to be published by the Department for Transport, Environment and the Regions will include a proposal to cut the legal alcohol limit, with fines for those just above it, and tougher penalties against hardened drinkers.

Ministers say measures have to be found to deal with what they say is a hard core of drivers flouting the law.

Road safety campaigners and police chiefs have argued for lowering the limit from 80mgs per 100 millilitres of blood to 50mgs – the equivalent of about one pint of beer – the same level as in France, Belgium and other countries. *John Kampfner*

Bank to launch art collectors advice service

By George Graham, Banking Editor

Coutts, the private banking arm of National Westminster Bank, is to launch an art advisory service to help its wealthy clients build up and manage their art collections.

The bank plans to advise customers on the financial and tax implications of their holdings of fine art, antiques and collectables, and to refer them to specialists for other services.

These will include advice on buying and selling, storage, security, insurance and restoration.

Nick Parnell, a tax specialist who used to work at Christies International, the auction house, before joining Coutts, said the escalation in fine art prices meant that art and antiques could now represent as much as 90 per cent of the value of a large estate.

At the same time, many of Coutts's high-earning clients were eager to start collections but might need advice on where to begin.

Coutts bankers have in many cases developed relationships with art dealers and experts to help clients but in the past these were rarely co-ordinated.

While the established fine art auctioneers such as Christies and Sotheby's also advise clients on aspects of their art collections and have long-established tax advisory services, their advice is more geared to reducing the tax impact of potential disposals.

In addition, the auctioneers tend to have limited contacts with art dealers, who are to some extent their competitors.

Coutts is not trying to steer clients towards investing more of their wealth in art.

It will offer an initial assessment of financial options for the client's art collection, and preferential rates on insurance and sales commissions.

Citizenship hope for dependent territories

By David Buchan, Diplomatic Editor

Britain will this week hold out the possibility of eventual full citizenship for more than 100,000 people in its remaining overseas dependencies.

But it will warn that the territories must bring themselves more in line with modern UK norms in financial regulation and social legislation.

These are among the conclusions Robin Cook, the foreign minister, reached in his six-month review of Britain's ties with its 13 "dependent territories".

He will announce the results on Wednesday at a conference in London.

The review's most concrete result is a decision to drop the name "dependent territories".

The phrase is hardly apt for territories such as Bermuda and the Cayman Islands, which are self-financing. The less neo-colonial label of "British overseas territories" will replace the term.

Ten of the territories are inhabited, ranging in population from 61,000 in Bermuda to 58 in Pitcairn Island in the Pacific, and vary widely in wealth.

Gibraltar and the Falkland Islands already have full UK citizenship. The two have largely been excluded from the review to avoid arousing hopes of a change in their status in Spain and Argentina, which claim sovereignty over the territories.

The citizenship issue is the most controversial aspect of the review. The move would restore rights to settle in the UK, which were removed under the 1981 Immigration Act.

The Home Office has called for further reflection and negotiation. It has allowed Mr Cook at least to hold out the prospect of eventual UK citizenship.

The population of the territories under review is 160,000. But the number of potential UK citizens is considerably smaller, since many people in the territories hold other passports.

Tom Russell, chairman of the Dependent Territories Association and London representative of the Caymans, said last week that slightly more than half the population of the Caymans were not Caymanians and therefore not eligible for a UK passport.

Mr Russell said the reason behind the push for British citizenship was not to settle in the UK, "but to be able to travel freely to the European Union and the US without needing a visa".

The government also fears charges of hypocrisy and double standards since it refused to make a general offer of citizenship to 6m people in Hong Kong.

Mr Cook instituted the review in August after a row in which Britain was accused of being stingy towards the people of Montserrat after it was hit by a volcanic eruption.

Fears grow over potential loss of EU regional aid

By Brian Groom

A cross-party delegation of MPs will lobby the government this week as concern grows that Britain stands to lose hundreds of millions of pounds of regional aid from the European Union.

MPs will meet Barbara Roche, the minister for the regions, at the Department of Trade and Industry tomorrow to discuss the issue ahead of a crucial meeting of the European Commission on March 18, which will attempt to agree proposals for new regulations.

To prepare for the entry of new member states, the Commission wants to freeze spending by the structural funds at 0.46 per cent of the EU's gross domestic product in 2000-2006. It also wants to reduce the categories from seven to three and cut the proportion of the population covered from 51 per cent to between 35 and 40 per cent.

EU aid is worth £1.5bn a year to the UK's poorest regions. Matched funds from British budgets double that investment on projects such as roads, bridges, training schemes, help for small businesses and environmental protection.

Britain fears it will lose disproportionately because the category which benefits it most – the new objective 2, covering areas of industrial and rural decline and some urban and fishing areas – will be allocated mainly according to levels of unemployment.

The International Labour Organisation figures which the Commission uses show UK joblessness three or four percentage points below the EU average. Rhodri Morgan, MP for Cardiff West, said the figures disguised Britain's true position because thousands of people registered as disabled rather than unemployed in the early 1990s.

A leaked draft from the Commission indicates some concessions. "Regional and national prosperity" will be taken into account, along with structural problems – but unemployment remains the main criterion.

The UK also faces mixed results from objective 1, the most lucrative category, which will be granted only to regions where GDP per head is no more than 75 per cent of the EU average.

According to provisional data, Merseyside would keep objective 1 status and South Yorkshire would gain it, while Northern Ireland and the Scottish Highlands and Islands would lose it. There would be transitional arrangements for the losers.

The European parliament will consider the proposals this summer, but the Council of Ministers may not make a decision until after the German elections this autumn.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
AT & T $0.33
Abbey National Fdg 6.1% Dual Currency Gtd Nts 1999 Y2541.66
Abbey National 5.56% Un Sb Nts Y2780000.0
Abbey National Treasury 6¼% Gtd Nts 2000 $62.50
Do 11¼% Gtd Nts 1998 L562500.0
Aberdeen Gas Anns 12.5p
Acal 3.6p
Ameritech $0.60
BOC 15.5p
Bell Atlantic $0.77
BellSouth $0.36
British Petroleum 5.5p
Compco 1p
Dunedin Inc Grwth Inv Tst 3½% Cm Pf £.75
Durban deep 8% Cv Pf R1.20
Framlington Inc & Cap Tst 1p
Granada Cv Pf 3.75p
Greene King 5.3p
Henderson Elec & Gen Inv Tst 1.85p
Ivory & Sime Optimum Inc Tst 1.8p
Johnson Matthey 5.2p
Lambert Fenchurch 2.9p
Land Sec 10% 1st Mtg Db 2030 £5.0
Lynx 1.5p
McLeod Russel 4p
Metropolitan Water Board
New River 3% Db £1.50
Meyer Int 4.5p
Monks Inv Tst 3.5p
Moorepay 1.8p
New York 6¾% Ser B Euronts 1998 $337.50
Do 7% Ser C Euronts 1999 $350.0
Do 7⅜% Ser D Euronts 2000 $368.75
Norbain 3.3p
Northumbrian 9¼% Bd 2002 £925.0
Paragon 1.5p
Plysu 2.2p
Salvesen (Christian) 3.9p
Sanderson 2.5p
Scapa 2.05p
Solvera 0.14p
Sumitomo Realty 3.9% Nts 2000 Y390000.0
Tiger Oats 5½% Gross Cm Pf R0.055
Tinsley (Eliza) 2.2p
Tyco $0.025
Walker Greenbank Cv Pf 3.25p
Wall Street Fin 3¾% Sb Cv Bd 2004 $37.50
Whitbread 8¼% Bd 2007 £82.50
Witan Inv 2.7% Cm Pf 1.35p
Workspace 5p

■ **TOMORROW**
Blacks Leisure 1.75p
Cons Bultfontein R0.045
De Beers 40% Gross Pf R1.0
Do 8% Gross 2nd Pf R0.04
Griqualand West Diamond R0.21
New York Fltg Rate Euronts 1998-2002 $153.73
RM 7.2p
Seiyu 3.8% Bd 1999 Y380000.0
South West Water 8⅝% Nts 1998 £8375.0
Thames Water 12.5p
Volex 7.75p

■ **WEDNESDAY FEBRUARY 4**
Aberdeen Asset Mngmnt 2.5p
Advanced Power Components 0.8p
Bogod 0.15p
Do A Rest/Vtg 0.3p
Chelsea Bldg Scty Sb FRN 2004 £4454.28
Christiania Bank Sb FRN 2001 $292.24
Driefontein R0.30
Dunedin Worldwide Inv Tst 1.57p
GEI Int 1.5p
HIT Entertainment 0.5p
Jarvis 2.5p
Meconic 2p
MEPC 14.75p
Syltone 2.1p

■ **THURSDAY FEBRUARY 5**
Cosmos Sec FRN Y1361096.0
Export-Import bank of Japan 8% Gtd Bd 2007 £80.0
Fayrewood 0.5p
Govett High Inc Inv Tst 2.24p
Landround 2.2p
Refresh (I) Tranche A Perp Sec FRN Y1310685.0
Do Tranche B Y1361096.0
South West Water 10⅝% Bd 2012 £1062.50

■ **FRIDAY FEBRUARY 6**
Boots 6.7p
Care UK 0.85p
Chloride 0.28p
Clayhithe 1p
Egypt Tst $0.14
Eldridge Pope A Rest/Vtg 3.98p
Gold Fields Coal R0.90
Henderson American Cap & Inc Tst 1.8p
Latham (James) 3.5p
MFI Furniture 1.8p
Metrotect Inds 0.4p
MS Int 0.1p
Murray Enterprise 2.1p
Railtrack 7.9p
Scottish & Newcastle 7.93p
Shaftesbury 1.5p
Sidlaw 1.25p
South Africa 9⅜% Nts 2006 £93.75
Tate & Lyle 11.7p
Treasury 9% 2012 £4.50
Vaux 7.4p

■ **SATURDAY FEBRUARY 7**
Adare Printing IR4.68p
Pall Corp $0.155
Racal 2.1p

■ **SUNDAY FEBRUARY 8**
Five Oaks Invs 8⅜% 1st Mtg Db 2019 £4.1875

UK COMPANIES

■ **TODAY**
BOARD MEETINGS:
Finals:
Beale
Interims:
Black (Peter)
Whittard of Chelsea

■ **TOMORROW**
COMPANY MEETINGS:
Chemex Int, 44, Worship Street, E.C., 11.00
Electronic Data Processing, Tapton Masonic Hall, Shore Lane, Sheffield, 12.00
HIT Entertainment, 32, St Mary at Hill, E.C., 10.00
Tate & Lyle, Royal Lancaster Hotel, Lancaster Gate, W., 11.30
BOARD MEETINGS:
Finals:
Gartmore British Inc & Growth
Geo Interactive
St. Andrew Tst
Stoves

■ **WEDNESDAY FEBRUARY 4**
COMPANY MEETINGS:
Allders, Howard Hotel, Temple Place, W.C., 11.00
Blick, Bramble Road, Swindon, Wilts., 12.00
Care UK, Butterfly Hotel, Old Ipswich Rd, Colchester, Essex, 10.30
Granada, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
IOC Int, Senator House, 85, Queen Victoria St, E.C., 10.00
Stakis, Stakis Dunblane Hotel, Dunblane, Perthshire, 11.15
BOARD MEETINGS:
Finals:
Capital Shopping Centres

■ **THURSDAY FEBRUARY 5**
COMPANY MEETINGS:
API, Savoy Hotel, Strand, W.C., 12.30
Bass, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00
Denmans Electrical, Burges Salmon, Narrow Quay House, Prince Street, Bristol, 12.30
RCO, 20, Old Bailey, E.C., 3.00
BOARD MEETINGS:
Finals:
Crest Nicholson
Interims:
Photo-Me Int

■ **FRIDAY FEBRUARY 6**
COMPANY MEETINGS:
Cambridge Antibody Technology, Science Park, Melbourn, Cambs., 12.30
Chrysalis, Olympia Hilton, 380, Kensington High Street, S.W., 11.00
BOARD MEETINGS:
Interims:
Cassidy Bros
Shire Pharmaceuticals

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not available until approximately six weeks after the board meeting to approve the preliminary results.
This list is *not* comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES & EXHIBITIONS

LANGUAGE COURSES

THIS WEEK

The sex thrills – but the law matters

DATELINE

Washington: the Clinton saga combines the two things that fascinate Americans most, writes Mark Suzman

By common consent, the past week and a half has been the most electric and unsettling period Washington has experienced since president Richard Nixon's resignation. The scandal over allegations that President Bill Clinton had an affair with Monica Lewinsky, a 24-year-old former White House intern, has overshadowed all other news.

For sheer media overkill, the only recent comparison is the O. J. Simpson trial. And this time even the city's chattering classes are joining in with a clear conscience because of the grave political repercussions.

Such intense interest is unsurprising. Like the O. J. case, the story combines the two things that fascinate Americans most: sex and the law. It is a salacious and complex tale in which the facts are elusive, everyone has an opinion and the chief protagonist is leader of the country. An investigative process is under way that will either lead to formal charges against Mr Clinton or proclaim him innocent.

So far, the sexual revelations have dominated. For years, the supposed "distinguishing characteristics" that Paula Jones, the Arkansas state employee suing Mr Clinton for sexual harassment, claims to have noticed on his genitalia generated a stream of off-colour jokes. Now stories about semen-stained dresses and secret service agents who witnessed "intimate acts" in the White House have raced across the airwaves. Other presidents have been accused of sexual misdeeds, but none before Mr Clinton has suffered public debate over a reported predilection for oral sex and whether that constitutes adultery.

Most of the US seems to be getting a guilty thrill at dissecting the case at a level of detail that their puritan forefathers would have been horrified by. And for those in need of a fig leaf to dress up their fascination, there is always the old fallback that they are simply gauging the president's moral character. As one conservative writer put it in a parody of the slogan that won Mr Clinton the 1992 election: "It's the sex, stupid."

But as the saga unfolds, it is becoming progressively clearer that, for the American public, what really matters is the law. Yes, everyone is interested in the gory details. But one of the most striking and consistent findings in opinion polls is that while Americans may disapprove of their president having an affair, only if he were found to have broken the law do they believe he should resign or be impeached.

The distinction underlines a key aspect of US political culture: whatever the public's appetite for scandal, the world's most litigious society also has enormous respect for – and understanding of – the legal process. People who might be unable to find France on a map freely use complex legal terms like "grand jury testimony" and "subornation of perjury" as they argue over the potential charges against Mr Clinton.

Underlying that sentiment is the deeply held conviction that, despite his lofty position, the US head of state is not only subject to the law, but under particular responsibility to uphold it. As Herman Schwartz, a professor of constitutional law at Washington's American University, puts it: "As the country's chief law enforcement officer, if the president committed criminal activity, however trivial the subject, that is regarded extremely seriously."

Indeed, the only reason the allegations came to light was that, after years of legal jousting over the issue, the Supreme Court ruled that a sitting president could – like any other citizen – be required to face civil charges. Up to that point, Mr Clinton's lawyers had argued that the sexual harassment case brought against him by Ms Jones should wait until he had left office because of its potential to interfere with affairs of state. That allowed her lawyers to take the sworn deposition in which he reportedly denied any sexual relationship with Ms Lewinsky.

At the same time, the public also strongly believes the president is entitled to the same defence under the law as everyone else: a presumption of innocence until proven guilty. As a result, just as it was the slow but inexorable power of the US courts system that precipitated the current controversy, so the same legal proceedings will ultimately resolve it. Like the O. J. trial before it, those could drag on for weeks, if not months.

Kenneth Starr, the special prosecutor overseeing the investigation, is carefully assessing everything from White House records to the testimony of Ms Lewinsky's fellow interns. Mr Clinton has made clear he will make no fuller statement on the matter until the investigation is complete. That silence makes it more likely that rumours and innuendo about the president's sex life will continue to dominate media coverage for the foreseeable future. But even as they listen happily to the gossip about the president, his constituents seem determined to reserve final judgment about his fitness for office until the legal process has once more run its course.

The Monday Profile: **Bernhard Walter, Dresdner Bank**

Out of the ivory tower

When a bank's reputation has been tarnished by tax scandals, resignations and board dissent, the job of restoring its image and morale requires toughness and persistence as well as delicacy and diplomacy.

Bernhard Walter will need these qualities and more to fulfil the hopes placed in him by employees, shareholders and clients of Dresdner Bank, Germany's second biggest bank. Walter, who has been chairman for only four weeks, plans to shake up the bank's hierarchy, make it more communicative both internally and externally, and provide more scope for original and unorthodox thinkers.

"Openness has to start at the top," he says. This itself is an unorthodox thought from such a traditionally managed bank. Walter's predecessor, the aloof Jürgen Sarrazin, certainly did not make communication a priority.

But Walter, 55, believes this must change. "At Dresdner, we need to make our hierarchies less rigid and cut them back," he says in a calm, deliberate tone, puffing occasionally on a cigarette.

He can, at least, draw strength from the fact that bank's recent tribulations resulted not from bad loans or trading losses, but from adverse publicity caused by the departure of several directors in less than ideal circumstances.

Sarrazin's retirement this May had already been announced when the news broke in September that Wolfgang Röller, a former chairman, was resigning as head of the non-executive supervisory board over allegations of tax evasion. Röller denies the allegations. Sarrazin brought his retirement forward to the end of 1997 so that Walter could give the bank a fresh start in the new year.

Walter began by sending a new year message to all 45,000 employees at home – itself a departure for the bank – stressing the need for more discussion and flexibility. The bank would also begin a "constructive dialogue" with state prosecutors who have been investigating it for four years to see if employees advised clients to shift funds abroad to escape German taxes.

This, too, was a change from the policy adopted by Sarrazin, who had opposed the tax probe in the courts and opted for confrontation rather than negotiation. It was an example of Walter's more down-to-earth approach, which has also earned him respect among employees.

But the workaholic, music-loving Walter, who jogs daily and is determined to improve his golf handicap, is still little known outside the bank. This is especially so abroad, where Sarrazin was a familiar figure among his peers. It was under Sarrazin that Dresdner expanded internationally in investment banking and asset management.

Walter joined Dresdner straight after school and has been on the board since 1987. "In the bank, he is said to work 25 hours a day," says one colleague. "But he is liked at Dresdner because he started at the bottom, makes an effort to talk to employees and doesn't shut himself in an ivory tower." He has even eaten in the staff canteen, where Sarrazin was never spotted.

Walter was in charge of the bank's east German operations in the hectic post-unification years and was later responsible for corporate finance and eastern Europe. He and his wife, both with a strong social conscience, regularly entertain children from the area hit by the Chernobyl nuclear disaster in the former Soviet Union.

In his move to give the bank a new sense of direction, Walter will clearly be helped by its solid financial performance – operating profits rose 23 per cent in the first half of 1997 to DM1.74bn.

In investment banking, he says Dresdner intends to be a much bigger presence. "We are a global player in asset management and we want to be one in investment banking." He aims to speed up the development of the investment banking side, boosted in 1995 by the purchase of Kleinwort Benson of the UK.

Dresdner Kleinwort Benson especially needs to catch up with its competitors in the US and Asia, a region in which he retains confidence as "a market of the future" despite its difficulties. He does not exclude an investment banking purchase in the US but says the bank could also grow through its own efforts: "We don't feel forced to make an acquisition."

Also exciting interest are Dresdner's plans in asset management, where it enhanced its international presence two years ago by purchasing RCM Capital Management of the US. Now, it is discussing co-operation with Allianz, the insurance group which has a 22 per cent shareholding in Dresdner.

Links with Allianz could include such areas as property finance. But Walter shrugs off the idea of a bancassurance solution to competitive pressures in the financial sector, despite speculation of a comprehensive link-up prompted by Allianz's holding in the new bank being formed by a merger in Bavaria.

"From today's standpoint, this topic is not on our agenda," he says, thus not ruling it out for ever. Some analysts like the idea of a three-way amalgamation under the Allianz umbrella, but the pragmatic Walter prefers to tackle today's problems rather than conjure up grand visions for the future.

Andrew Fisher

FT GUIDE TO:

SCOTTISH PARLIAMENT

We heard an awful lot about the Scottish parliament at the time of the referendum last autumn. What's happening about it now?
It's coming steadily closer. The House of Commons began examining the Scotland Bill in detail last week. Later it will go to the House of Lords and should receive royal assent by July. The next big event will be the elections to the parliament in May 1999. It will be in operation by January 2000.

That sounds like a pretty smooth process. I thought the Conservatives were opposed to devolution. Aren't they fighting the bill?
No. They've accepted the strong vote in favour of a Scottish parliament in the referendum and are only proposing some supposedly constructive amendments. Scottish Tories want to win seats in the parliament and realise that trying to obstruct the bill would make them unpopular.

I'm still not sure what having a Scottish parliament means in practice. Tell me.
At the moment Scotland is administered by the Scottish Office in Edinburgh, which looks after such things as education, local government, health and economic development north of the border. The Scottish Office comes under the secretary of state for Scotland who sits in the cabinet and reports to the Commons. But from 2000, everything run by the Scottish Office will be answerable to the Scottish parliament.

But a parliament can't run things itself. Presumably there'll be a Scottish government?
Yes, it will be called the Scottish Executive and will be led by a first minister, like a prime minister, with some Scottish ministers.

So Britain will have two governments, one in London and one in Edinburgh. But surely there will be limits on the what the Scottish executive can do?
Yes. It won't be responsible for foreign policy, defence or social security payments, and will leave macro-economic policy to the Treasury. There will still be a secretary of state for Scotland in the cabinet who can veto Scottish legislation if he thinks the parliament is exceeding its powers.

So what *will* the parliament be able to do?
It will be able to do what it likes in Scottish education, which is different from the English education system anyway. It can restructure the NHS in Scotland, and devise its own form of local government taxation if it wants to.

Where will the parliament get its money from?
From the UK taxpayer. The parliament will get an annual grant from the Treasury just as the Scottish Office does now, worked out according to a formula which gives Scotland higher public spending per head than any part of the UK, except Northern Ireland.

But wasn't there something about the Scottish parliament having its own tax-raising powers?
Yes, but only very small ones. It will be allowed to raise or lower income tax in Scotland by 3p in the pound, which at most would mean people living in Scotland paying an extra £660 a year in income tax, normally through PAYE.

Won't that be terribly unpopular?
Not necessarily. The average person would pay only an additional £230 a year, and even a £660 bill would hardly justify moving to England. The parliament will not be able to tax unearned income such as bank interest and dividends. Anyway, don't forget Scotland voted in the referendum for the parliament to have tax-varying powers. But the so-called tartan tax will raise only £450m, compared with the parliament's revenue from London of about £14.5bn.

I notice you haven't said anything about *reducing* taxes.
The Scottish parliament is very unlikely to do that. If it did, people would receive a small credit on their PAYE, which most would barely notice, while the Scottish executive would have to make good the revenue forgone to the Treasury by reducing expenditure. Anyway, the Scottish parties, apart from the Conservatives, generally favour higher taxes, although Labour has said it won't levy the tartan tax in the lifetime of the present Westminster parliament.

That implies Labour expects to be running it. Who's going to sit in it anyway? How are they going to be elected?
There will be 129 Members of the Scottish Parliament (MSPs). Of those, 73 will be elected under the first-past-the-post system, and the rest under a form of proportional representation from regional party lists.

Who will benefit from this electoral mechanism?
Not Labour, which is heavily over-represented under the first-past-the-post system, though it should be able to rule in coalition with the Liberal Democrats, with the Scottish National party and the Tories in opposition. The main gainer under the electoral system will be the SNP, although the Tories will benefit as well. An opinion poll earlier this month showed that in the election for the Scottish parliament the SNP would get 34 per cent of the vote, against Labour's 43 per cent.

The nationalists want Scotland to become independent, don't they?
Yes, and they think the Scottish parliament ought have much more power, such as raising all its own revenue. They are co-operating in setting it up and making it work because they believe that in due course people in Scotland will decide they want full self-government.

James Buxton

Gillian Tett · Economics Notebook

Old traditions die hard

Japan must rethink its social policies and stimulate domestic demand

If in doubt, deregulate. That, at least, would seem to the message which Japan's trading partners are blasting at Tokyo this winter.

For with Asia dogged by financial woes, economic reform in Japan is taking on a new urgency. As Charlene Barshefsky, US trade representative, declared on Friday: "Japan must stimulate domestic demand. It must deregulate its economy."

But this clamour throws up one intriguing question: is Japan actually in a state at the moment when it could even implement a radical deregulation its trading partners want?

For if Doug Ostrom, the senior economist at the Japan Economic Institute, a US think tank partly funded by the Tokyo government, is correct, the answer may be no.

The reason? Japan, he argues in a recent paper, is marked by a key policy problem – the weakness of its social safety net. And although Mr Ostrom limits his analysis to Japan, his conclusions have implications for other countries such as South Korea, which are also now also toying with deregulation plans.

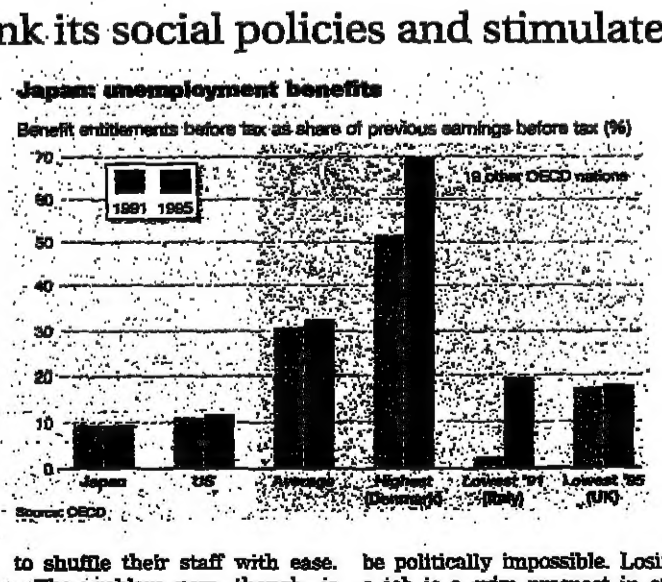
The data is striking. Unemployment benefit in Japan is provided for nine weeks or less. As a recent comparison by the Organisation for Economic Co-operation and Development shows (see chart), it is far less generous than most other western countries. Although an income-support system exists to help the very poor, it is minimal and difficult to get.

Consequently, in 1992, the latest available data, Japan spent just 0.12 per cent of its gross domestic product on welfare programmes. The US spent proportionately seven times more, while the UK spent 14 times the sum. Even Mexico, one of the poorest OECD countries, spent twice as much in terms of GDP.

Of course, as Mr Ostrom points out, these statistics do not tell the whole story. Japan is a rich country and households tend to have huge, hidden reserves of assets which can be drawn on in a crisis. There is a strong tradition of family support.

Furthermore – and most crucially – in the postwar period it has been the company, rather than the state, that has in effect provided a safety net. The job-for-life syndrome has meant that companies have to face a severe moral sanction against reducing staff. Unemployment has thus been replaced by under-employment, in effect funded by companies.

Although Mr Ostrom does not quite say it, until now many Japanese have insisted the system has worked well. Europe's huge welfare spending, for example, has not protected it from its own social ills. And though western observers have often criticised the job-for-life system as being woefully inflexible, this does not tell the entire tale. Certainly, Japan's corporate system has made it hard for employees to shift between companies or industrial sectors in the past. But within companies some flexibility has existed: if demand at a manufacturer moved from one widget to another, for example, companies have been able to shuffle their staff with ease.



The problem now, though, is that the climate is changing. What is needed now is not internal corporate flexibility, but a wholesale shift of workers out of uncompetitive business sectors into new ones. Employees, in other words, need to change their companies.

The potential shift is staggering. Take the case of the financial services, trucking and distribution sectors. Japan is considering deregulating these through projects such as its infamous Big Bang financial reforms. But Mr Ostrom believes that if proper competition were introduced into these sectors, some 4.6m people would lose their jobs. This in turn could push the overall unemployment rate up to 6.7 per cent, from its present level of 3.5 per cent.

Indeed, these sums are so huge that pushing them through under the existing system may be politically impossible. Losing a job is a grim prospect in any country. But in Japan it is doubly terrifying because of the holes in the safety net.

So what can be done? In an ideal world, the answer would be job creation. At present Japan is deregulating in a piecemeal fashion, trying to pick areas it hopes will be business winners. But this, Mr Ostrom argues, may exacerbate the problem: without broad reform it is difficult to offset job losses in dying sectors with job creation in new ones.

But Japan's famously slow approach to change means that it is unlikely to accept his advice. And even if it were tempted, persuading the population to accept labour market dislocation would be difficult.

Another option would be for the government to continue with its muddle-through approach. This is based around an assumption that companies will continue to protect their workers, while the government will provide selective support in politically sensitive cases. The Labour Ministry, for example, recently offered to step in to help the employees of the failed Yamaichi Securities.

But the problem with this is that it that does not send a particularly clear or reassuring signal to the population. Nor does it break down the assumption that is weighing so heavily on the corporate sector: that it must carry its huge social obligations.

So the third option would be to re-examine the safety net. Creating huge unemployment benefits may not be an answer in itself. Indeed, as continental Europe shows, this in itself can promote inflexibility by encouraging the unemployed to refuse jobs.

But in Japan a small expansion is unlikely to create a rapid surge in the idle. And it might serve a practical purpose. It might, for example, help reduce public resistance to deregulation. Even more important, it might also help persuade the corporate sector to move away from regarding society's obligations as its own.

There will be no easy answers. But what is needed, above all, is a policy debate. For until now, the government has barely acknowledged that the issue exists at all. And until it does, deregulation is unlikely to be anything more than patchy.

Prospects for Economic Reform in Japan: Where is the safety net? Douglas Ostrom, JEI Report 37A, JEI, 1000 Connecticut Avenue, NW Washington DC 20036.

The search is on for a way to link environmental performance with profitability. **Leyla Boulton** reports

Green scores hit the bottom line

Greed-is-good caught the flavour of the 1980s; green-is-good is arguably the 1990s' equivalent. What big company would dare to deny publicly that paying attention to the environment is not only the right thing to do but also makes good business sense?

Good green behaviour, the argument goes, may help a company's image and sales, pre-empt new environmental regulations, boost staff morale and save money. In the longer run it may even help lower a company's cost of capital by attracting better terms from investors and lenders. The evidence for this is largely anecdotal – attempts to make the link empirically have been fairly crude. For example, a recent study by the University of Michigan showed a rough correlation between Standard & Poor 500 companies' ability to cut polluting discharges and indicators such as return on assets and sales.

"While not supported by hard statistics, the idea that such companies will ultimately perform better seems to have a certain logic about it," says Jonathan Colchester, a portfolio manager for the private clients business of Credit Suisse.

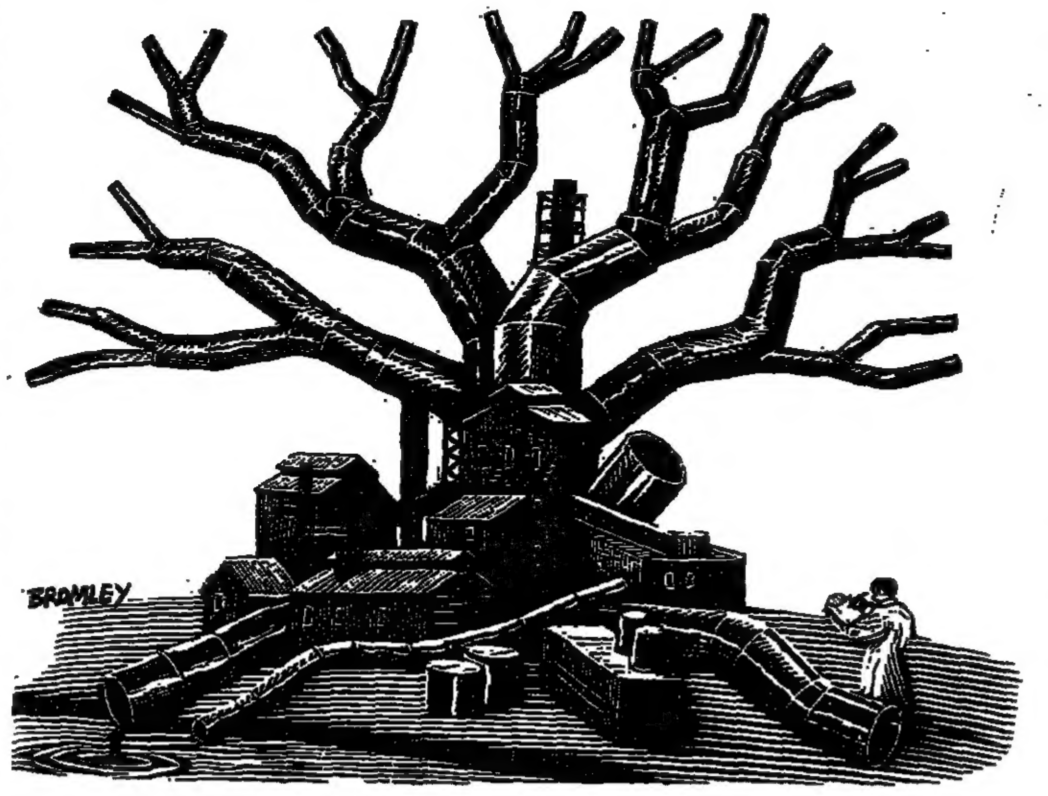
Before the link between greenness and profitability can be established with any rigour, a measure of what constitutes good environmental performance first has to be made. The absence of standard measuring tools has meant that investors have been unable to compare companies' environmental performance as they can return on investment or profit margins.

Investors, consumers and even companies themselves are searching for better green tools with which to measure performance and exposure to environmental risk.

"Until common benchmarking measures are arrived at," says Anita Roddick, founder of the Body Shop, companies will be doomed to "comparing themselves to their own performance".

The latest attempt to come up with such a benchmark ranking Britain's 100 biggest quoted companies is today's published by Business in the Environment, the non-profit organisation.

They companies are ranked into one of five levels of achievement according to whether they have the building blocks – such as a main board member with responsibility for environment, or an environmental procurement policy – for managing their impact on the environment.



The method chosen for the survey has obvious flaws. The top quintile is dominated by companies which, by virtue of their sector, are significant polluters such as ICI,the chemicals giant, and National Power, the electricity generator.

Meanwhile, half the companies in the bottom quintile are insurance companies or banks such as GeneralAccident and Royal Bank of Scotland which, perhaps not surprisingly because of the nature of their activities, may have given environmental matters little consideration.

Some FTSE-100 companies – including Pearson, owner of the Financial Times – have refused to take part because of these criticisms. "How can you put oil companies at the top and us near the bottom when our potential to pollute is so much less," asks Legal & General, one of Britain's biggest insurers, which withdrew after being ranked in the bottom category last year.

Business in the Environment, in response to such objections, plans next year to assess companies' performance within specific sectors. This could entail, for example, measuring companies' consumption of natural resources or, where relevant, their polluting discharges.

Other efforts to develop more precise tools, which could impact directly on a company's financial standing, are also being made. In November, London University's Imperial College and National Provident Institution, a London insurer, produced an indicator enabling companies to measure emissions of carbon dioxide, the main greenhouse gas linked to climate change.

Published days before governments agreed legally binding curbs on emissions at Kyoto, the indicator aims to help investors assess companies' exposure to possible penalties for wasteful fossil fuel consumption.

Tessa Tennant, head of NPI's ethical investment arm, believes that, as governments move to tax or limit companies' energy consumption, such an indicator will some day make useful reading in company accounts.

An even more explicit attempt to link environmental risk with the bottom line was published last month. Serm Rating Agency, a UK consultancy, unveiled a system for rating companies according to how well they manage environmental risks inherent in their types of business – for example damage to corporate reputation and clean-up costs from potential toxic spillages.

Ultimately, the better performers should expect to attract lower interest rates from lenders to reflect their reduced exposure to environmental risk, argues Jonathan Barber, Serm's managing director.

So far only one company, Eastern Electricity, has agreed to be rated under this system. It achieved AA, or "good+", the fourth highest grade on a scale which imitates those operated by credit rating agencies.

Other companies are looking into the possibility of following suit. "As the City becomes more educated as to what an environmental rating can do they will push other companies to submit to the same sort of exercise," forecasts Bill Watson, managing director of Eastern's Electricity generating division.

Despite the imperfections of some of the tools currently available, some companies welcome being able to make a start in measuring their green credentials.

"You've got to walk before you can run and we're walking," says Derek Higgs, chairman of the portfolio management arm of Prudential, Britain's biggest life assurance company, which comes in the last quintile of Business in the Environment's ranking. "We will do better next year."

And once it has put its own house in order, the Pru plans to pay much closer attention to the environmental impact of the companies in which it invests.

"We are likely over coming years to take a closer interest in environmental performance because we believe there is a link with ultimate investment values," says Mr Higgs. "It's a developing and tentative link, but it is there."

A measure of reputation

Diane Summers on a pilot programme for monitoring integrity

It is not just companies' environmental credentials that are subject to external measurement: other aspects of corporate reputation are now also being benchmarked by companies and scrutinised by stakeholders, including customers and shareholders.

Glen Peters, futures partner with Price Waterhouse, the accountants and consultants, has been studying company practices in this area and the attitudes of charities and pressure groups around the world. He points to the numerous companies that have suffered financially, in the short term at least, "for alleged involvement in misdeeds ranging from the use of child labour to sexual harassment and product mis-selling".

The firm has developed a programme, being piloted with about 10 multinational companies, for the internal auditing and management of "reputation integrity". The methods he is using borrow much from quality management. The idea is that even far-flung outposts can check, using common software, that they are in tune with head office's priorities and they can score and track their own performance.

With the expansion of global trade, says Mr Peters, "the task of managing corporate reputation integrity is likely to become much more complex. Inadequate monitoring of codes of responsibility in any single geographical or commercial area will lead to significant breakdown of trust and integrity in the entire global enterprise".

As an example, there might be a scoresheet covering the principle "fairness and truthfulness in all activities including pricing, licensing and right to trade". A company could decide that it wanted to check it was offering equal opportunities to would-be suppliers by looking systematically at evidence on new contacts made. Under the same principle, it might also want to check that it was sharing responsibility for developing new products, and negotiating fair prices – both of which could be scored after interviews with suppliers and purchasers. Prompt payment of invoices could be assessed after examination of financial records.

Mr Peters believes it is inevitable that many multinationals will aim, in the future, to provide independently-audited statements of compliance with stakeholders' interests.

"They would clearly be well-advised to implement internal frameworks for evaluating their integrity before going public with the results," he concludes.

MY SECRET WEAPON

Sir David Naish on tolerance

Laughing at yourself will help people talk more freely

Sir David Naish has spent seven hectic years at the helm of the National Farmers' Union of England and Wales. On Wednesday he steps down. During his time in the hot seat, he has driven home to his 100,000 members the tough message that the Common Agricultural Policy must be reformed, negotiated with seven successive agriculture ministers, and helped producers through the BSE crisis. His leadership has recently come under fire from farmers protesting on the streets for the first time since the 1970s over sharp falls in income and cheap imports of beef.

The criticism of me and my leadership style is something I can wear. I believe a great deal more in debate and persuasion than I do in public protestation. I've managed to hold the ship pretty well until now, when the ropes have broken and I'm trying hard to grab them back. There's a grave danger of our losing public sympathy and customer sympathy if farmers go on protesting.

I think the most important thing any NFU president can have is tolerance and a sense of humour. You must understand the problems of as much of the industry as it's possible to understand. If you can find an analogy with anything in your personal experience and laugh at yourself, it will normally help make people talk more freely. Once they'll talk to you, you can normally find a way through.

I like to think I've managed to maintain the reputation of never failing to return a phone call from a member. A small problem to me is a huge problem to an individual farmer.

You've got to have the tremendous back-up of professionalism in this [NFU] building of the staff to make sure the issues of the day are the ones you're most briefed on. Providing you have the breadth of knowledge to be able to answer the majority of questions, and you're only missing on a technical detail, that leaves you as the credible king of the castle. I'd caution anybody considering doing a similar job never to guess the answer because more often than not with those difficult questions the people know the answer before they ask you.

The most difficult thing has been making myself read just about everything, even when it bored me, so that I was properly briefed. It's terribly easy in a job like this to be a selective reader. If you can make yourself read the difficult bits, you're so much better briefed, you understand the argument.

One of the greatest assets of the NFU is that it puts together practising farmers with highly qualified specialist people. That's the cleverness of the NFU lobby.

It's up to the NFU president to change his philosophy, his style, his interest as the minister changes. Part of the job is to study very carefully the approach of different ministers, what their interests are; to try to make sure you can personalise the case of rural, agricultural and horticultural Britain so they understand it in their terms. You have to maintain your integrity by challenging that with which you do not agree but recognising when you are helped. I know what family the ministers have got, I tried to learn what their wives' names were, I'd try and see if they'd got any other interests. You've got to do more than say: I have come to thump the table. You've got to be human, a bit like talking to the farmer members.

I read it wrong in May when we had a new government. It took me – and I regret this – six weeks to realise there was an entirely different philosophy and the civil servants had had to change too. We all had to change in the way we presented the case, remembering that Jack Cunningham [agriculture minister] did look at consumers first. The way one presents the argument was effectively stood on its head on May 1. It was exactly the same argument but you had to start from the position of what the benefit to the consumer is, working backwards, as opposed to what you produce for the consumer, starting at the beginning of the chain.

Interview by Alison Maitland

Outside football, no league table tells us all we need to know

John Kay

It is the league table season. The FT has just produced its annual league of successful companies. The football league is reaching its climax. And last week, another set of educational league tables appeared in the UK, this time comparing the performance of primary schools in different local authorities.

Yet, as teachers' unions were quick to point out, there is a sense in which these educational comparisons are misleading. No one is likely to be surprised that high scores were obtained in some leafy suburbs and low ones in inner-city areas of the capital. Perhaps it is really more significant that comparable areas did very differently. The government plans value-added tables to try to meet this criticism. Such a table would compare the actual performance of schools with the performance that could have been expected . . .

The best example of such a value-added table I know is one that Stefan Szymanski and Tim Kuypers compiled for English football league clubs. They compared the actual performance of each team with the performance you would have expected from the quality of their players.

They estimated the quality of the players by calculating how much each club had spent, in transfer fees and wages, to put them on the field.

So Liverpool and Manchester United had more or less equally good players, but Liverpool had done better. Southampton had not done as well as Manchester United, but – unlike Newcastle – had achieved more than would have been predicted from the club's players.

The diagram emphasises the difference between the performance of a team – its absolute achievement – and its performance as a team – its achievement relative to its intrinsic quality. Manchester United may score more goals, but Southampton add more value. In football we are, to be honest, more concerned with performance than with added value. It is more exciting to watch Manchester United than the school second XI, even if the school second XI has a coach who works wonders with such unpromising material. And in education we are interested in both absolute and relative performance. A good school is one which makes the most of the talents of its students. But when we make choices for our children, it is its overall level of achievement that matters.

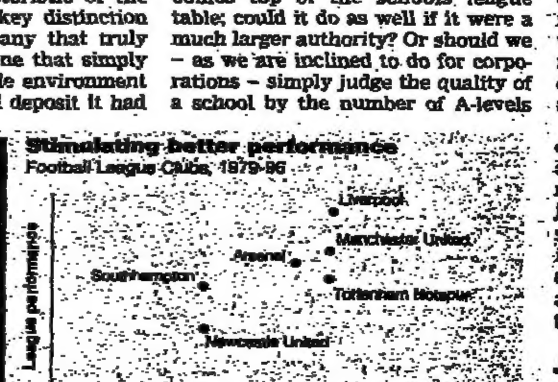
Now in business we are very interested in the quality of the coach. It is the capacity to add value that is the measure of the achievement of an organisation. We admire Marks and Spencer for its ability to obtain consistently extraordinary results from ordinary people. And that is the essential characteristic of the great business. The key distinction is between the company that truly adds value and the one that simply exploits the favourable environment it finds – the mineral deposit it had the good fortune to win a concession to, the monopoly of local water supply, the "licence to print money" of the early television franchises.

But this emphasises how the football example gains its force from its simplicity. Football teams compete on a standardised basis regulated by the Football Association. There is a clear, if subtle, distinction between the quality of a team and the quality of the players – a feature which distinguishes football from, say, golf or even cricket, and which emphasises that football really is a team sport.

None of these things is true when we look at education, or at business. In neither case is there any standardisation of the terms of competition. All football teams contain 11 players. But the tiny county of Rutland comes top of the schools league table; could it do as well if it were a much larger authority? Or should we – as we are inclined to do for corporations – simply judge the quality of a school by the number of A-levels its students get, whatever the scale of its entry?

Alan Shearer
Newcastle United striker

Stimulating better performance
Football League Clubs, 1979-96



And the sharp distinction between environment and performance blurs on close inspection. When Roy Thomson, the newspaper magnate, won what he once referred to as his "licence to print money" with the franchise for Scottish Television, should we attribute the extraordinary profits he obtained to his managerial skills, or the favourable environment within which he operated? Was Bill Gates a far-seeing genius, or simply the man in the right place at the right time? And how should we view people such as Rupert Murdoch, who seem to have an extraordinary talent for finding themselves in the right place at the right time?

And that is why, when I wrote at the beginning of this article that we needed a table which would compare the actual performance of schools with the performance that could have been expected, I wanted to complete the sentence – but could not. Could have been expected . . . given the quality of their students. But what exactly do we mean by the quality of a student? Could have been expected . . . given the environment within which the school operated. But are the broken windows of the poor school, or the motivated pupils of the good school characteristics of the school, or characteristics of its environment?

We need league tables, for football clubs, for schools and for businesses, and they stimulate better performance in education and commerce just as they do in football. But, outside the football league itself, there is no single measure of performance, and no single league table that tells all, or even much, of what we need to know.

John Kay is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

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Alison Smith looks at how Young & Rubicam plans to do business after going public

Men in suits seek out culture of the hunter

The appointment last week of Steve Davis, formerly chief executive of Young & Rubicam in New York, as the replacement for Frank Asuma, chairman of Wells BDDP New York office, brought together the names of the agencies at the heart of the advertising sector's biggest events in the first half of this year.

The loss by Wells BDDP of the $125m (£76m) Procter & Gamble account led directly to the recommended bid for its parent advertising group, GGT, by Omnicom, the US communication services group, after news of the loss caused GGT's share price to fall 40 per cent.

For Young & Rubicam, the first half of this year is due to see the loss only of its status as the world's largest private advertising group by income, after an initial public offering that is scheduled for May or June.

Speculation that an initial public offering would be Y&R's chosen route has been growing since last summer when it sold a minority stake, estimated at about 20 per cent, to the leveraged buy-out firm Hellman & Friedman. The appointment in December of Ed Vick as chief operating officer of Y&R Inc was seen as a strengthening of senior management in the run-up to going public, since the post – that of deputy to chairman and chief executive Peter Georgescu – had been left vacant for some years.

New look: Fernan Montero (left), Y&R's Europe chief, which produced campaigns for Ford Puma (top) and Pirelli (bottom)

Even now, however, the group stops short of confirming its plans. The furthest executives will go is to discuss how the balance of argument between private and public status has changed. "For a lot of market-driven reasons, the case for an IPO has been growing stronger," says Fernan Montero, chairman of Y&R Europe. "Being a private company has always had the advantage that we could use our profits and the wealth we create to focus on investments that public markets might not always endorse. For example, we've spent a lot on client relationships and on proprietary research on branding: public companies might have had to take a long hard look at that.

"But now the marketplace tells us that to expand effectively into areas such as media technology and database communications, and to keep the network at its strongest, we would benefit from the same source of funding as our competitors."

Despite the wave of mergers and takeovers in advertising, Y&R executives are clear that they do not intend to use the funding raised in a public offering to add a second string to the advertising bow.

"When it comes to acquisitions, the group is less interested in adding another agency network to the Y&R family than it is in adding cutting-edge capabilities to help each of the existing agencies," says Mr Montero. "It's very unlikely that we would seek to duplicate existing capabilities: we are betting the farm on the single-brand strategy."

Although such a commitment runs counter to the trend of the three largest marketing services groups – WPP, Omnicom and Interpublic, which each own more than one advertising agency – Y&R is better-placed now to convince investors that it is a feasible approach than it would have been a few years ago.

Y&R itself admits that in the early 1990s its New York office and European operations were lacklustre or worse. Mr Vick became head of Y&R in New York in 1994, a few months after Mr Montero took charge of its European network. "Ed has good leadership skills, and a strong grip on what really matters," says one former client. "I'm not sure he's done much travelling outside the US, but he's certainly a good person to have with you in difficult circumstances."

Mr Montero says it was evident what was needed. "It was about applying financial discipline, and about creating the culture of the hunter. We didn't have a lot of room for maintenance managers, we wanted people who were hungry for new business."

An extensive clear-out of managers within the European network was a principal feature of the changes, which seem to have had more impact in Europe as a whole than in London specifically. While Y&R Europe has won plaudits, the advertising agency in London has not achieved the same respect among its peers.

"The fatal flaw for any international network is not to have an averagely good office in London," says one competitor. "Y&R has an averagely good office, so it's OK, but I don't worry particularly if we're up against them in a pitch."

In part, this reputation comes from Y&R's history, where its creative effort seems to have taken second place to its research and planning capabilities. But Mr Montero admits that other elements in the European network have performed more strongly than the office that might be expected to be the flagship.

"We are content with our position in London, but we need one big, defining £10m account win. It shouldn't be long in coming."

With recent campaigns such as those for Pirelli tyres and the Ford Puma, Y&R is producing work that cuts across its "men in suits" image among some other ad agencies. However, its strategy is based not just on combining greater creativity with its traditional strengths, but also on concentrating on its most important clients.

Mr Montero says: "Y&R is very focused on consolidating its future with the core group of clients that work significantly with us and use us on a global scale."

This approach is in tune with the increasingly common view among the largest multinational companies in competitive fields that they must put all their business with a single agency in order to have a clear, single voice and efficient use of their marketing budgets. In August last year Y&R won virtually all of the worldwide advertising and direct marketing business for Citibank, the personal banking arm of Citicorp, estimated to be worth between $500m and $800m a year.

Notwithstanding such successes, Y&R's emphasis on consolidation also carries a couple of hazards. The first is that clients outside the inner circle may feel that they do not receive the level of service and commitment provided for global clients.

The second is that if, for whatever reason, any of these core clients moves its business, the effect on the agency is much more significant. Even as Y&R's preparations for going public gather pace, the agency might take a moment to reflect on the lesson that GGT has already given the advertising sector: movements in share price can quickly follow movements in key accounts.

Young & Rubicam: the sum of its parts

Y&R Advertising	consumer advertising
Burson-Marsteller	public relations
Wunderman Cato Johnson	direct marketing/sales promotion
Landor Associates	design and corporate identity
Sudler & Hennessey	specialist healthcare communications
Marsteller Advertising	business-to-business advertising

Source: Company

Radio licence makes waves

At 5pm on Thursday, radio executives across the country will be waiting for news of the winner of a regional radio licence in the north-west.

Radio aficionados are placing bets on which of the 21 bidders will most impress the Radio Authority. A notable contender is Ginger Media Group, the company owned by DJ Chris Evans, which is teaming up with DMG Radio – a division of Daily Mail and General Trust – to provide a "music and personality-led" service.

Capital Radio is proposing a contemporary rock station, and Chrysalis Radio wants to roll out its successful Heart format. Meanwhile, a former programme director at Virgin Radio is backing a music station. There is even a bid from Saga, the tour operator for older travellers, for a service aimed at over-45s.

But even before the faxes have started whirring or the phones ringing, some radio operators have protested that regional licences are "a national lottery for business people", as interested parties do not have to put in a cash bid.

Ralph Bernard, chairman of London News Radio, which is proposing a 24-hour news station, says: "The fairest way of dealing with it is to leave it to the market and have a cash bid. That's the way it operates in other countries."

Chrysalis highlighted the anomalies of the system when it spent £17.6m on the Yorkshire and Manchester regional radio stations owned by Faze FM. The Yorkshire station had started broadcasting only in February last year.

Tom Gutteridge, chief executive of Mentorn Broadcasting, whose bid offers "high-quality music appealing to a mature audience", says: "It was a cynical takeover within months of the licence award. The people of Yorkshire now do not have the radio station that the Radio Authority thought they should have."

Pressure is building for more transparency in the Radio Authority's licensing decisions. Richard Findlay, chief executive of Scottish Radio Holdings, which is backing a country music-based bid, says: "The authority should perhaps be a little more open about how they award the licences and the criteria used."

The Commercial Radio Companies Association, the industry trade body, has commissioned a report from consultants National Economic Research Associates that is likely to delve into the Radio Authority's role. The authority said it would not comment before the licence award.

Mr Findlay does not necessarily believe in cash bids despite his reservations. Changing the process to a cash bid would mean new legislation. Mr Findlay says the idea of highest bidder takes all was discredited after the ITV licences were awarded in this way in 1991.

Mr Gutteridge agrees, saying there are more important considerations than the size of a bidder's wallet. The authority bases its decision on whether the bidder is broadening the range of programming in the area, has the support of the locals and holds enough resources to sustain the service.

Although Mr Gutteridge supports these criteria, he suggests there should be restrictions on how soon operators can sell their licences. "There should be a three-year moratorium from the date of the award of the licence to prevent any change of control."

There is clearly a keen interest in ensuring that the Radio Authority plays fair. But come 5pm on Thursday, 20 disappointed radio operators are bound to be reluctant to believe justice has been done.

Cathy Newman

Salty snack attack on Europe

John Willman on Frito-Lay's $20m campaign to get people to eat more tortilla chips

Most international food groups dream of it. Many say they plan to do so. But only a few ever manage to market their products on a genuinely Europe-wide scale.

Later this month, Frito-Lay, the snack food division of PepsiCo, will relaunch its Doritos tortilla chips in seven European countries with a campaign that is identical apart from the language used in advertisements and on packaging.

Over a period of less than eight weeks, the company will spend $20m (£12m) to convince European consumers to raise their intake of tortilla chips from $120m a year to US levels where Doritos has sales of more than $1bn a year.

"This is a big opportunity for us," says Martin Glenn, Frito-Lay's commercial vice-president for Europe. "The salty snack market in Europe is much smaller than the US's, largely because Europeans eat far fewer tortilla chips. In the UK, for example, raising tortilla chip consumption to US levels would eliminate the difference between the two snack markets."

Frito-Lay is the world's largest snack food maker, with global sales of almost $10bn a year. It already has a strong position in North and South America, and has been expanding into other large markets such as Europe and Australia. It brought Doritos to Europe in 1994, first in the UK, then in France, Spain, Portugal, Belgium, the Netherlands and Luxembourg.

Entering the European market meant overcoming the image of tortilla chips as an American product for special occasions only. Frito-Lay turned to Landor, the international branding consultancy, to give Doritos a more sympathetic image for Europe's consumers with an almost complete redesign of the packaging.

Out went the window in the package that Americans expect to allow them to check the freshness of the product. In came the sort of sealed foil package Europeans are used to with potato crisps. And a makeover of the colour scheme got rid of the predominantly white packaging and replaced it with black, long thought to be a turn-off for food products.

This turned out to be highly successful, giving Doritos 2.5 per cent of the UK snack market within 12 weeks of its launch – the target was 1 per cent within seven months. Elements of the design have since been incorporated into the US packaging.

Now the design is to be revamped to make it "friendlier and less austere", in Landor's words. The relaunch aims to widen the appeal of Doritos to the youth market, with less black on the packaging, changes to the print to make it look more lively, and a less formal layout.

The branding will also change, with the removal from the front of the name Walkers, the UK brand name of Frito-Lay's UK potato crisps. The Doritos brand is now strong enough to stand on its own, says David Redhill of Landor.

All of this will be backed by television advertising targeted at 18-year-olds in all seven countries. Developed in the US, it is dubbed "Loud", each advertisement ending with the slogan "Doritos are the loudest taste on earth".

Frito-Lay's Martin Glenn admits that a Europe-wide campaign is easier with a new product such as tortilla chips, where there are no established taste norms. But many global food groups will be watching the relaunch with interest to see if the age of the European product has really arrived.

Tim Jackson · On the Web

Message in a bottleneck

Have you ever tried to get customer service over the internet? If so, you'll know how frustrating it can be to deal with a company by e-mail. Urgent questions can take days or even weeks to answer. Important issues can be left for the most junior and ill-informed staff to deal with. Simple inquiries can disappear without trace.

Political parties and government departments, often new to the web, often seem to have an e-mail address because they think it sounds good, but have not yet worked out any way to deal with the messages that it attracts. Internet-savvy businesses can be even worse. I know at least three internet service providers who exhort their customers to use e-mail as the preferred form of communication with technical support, but deal with e-mail more slowly than they deal with either faxes or phone calls.

Tempting though it may be to attribute these problems to stupidity or incompetence, they are too common for such an explanation. The real reason is the absence of appropriate tools to deal with e-mail. By opening up a communication channel with customers that is almost free and almost instantaneous, organisations are subjecting themselves to a flood of increased feedback and questions.

This is the thinking behind Internet Message Center, new software published by Mustang Software, a publicly traded company whose other products include a mailing list manager.

The software, priced at $1,500 (£920), is based on a simple idea. It logs into your mail server, then downloads the incoming mail from customers, stores it in a database, and sends back an acknowledgment with a tracking number. Mail is sorted into "pools", depending on its subject or other criteria.

Individuals can then retrieve mail and respond to it. Their answer goes back to the message centre, which tracks the response for future reference before forwarding it to the customer.

This offers huge advantages over traditional systems. First, the use of pools addresses the most basic e-mail problem in small businesses, which usually have to open the private mailbox of the person who normally deals with customers. The tracking numbers help retrieve the surprisingly high percentage of mail messages in one direction or the other that simply get lost.

Best of all, the software gives managers information about how efficiently incoming mail is being dealt with. Managers can track who is answering most mails, and how long mails generally take to get answered, and adjust the number of people who deal with e-mail.

Internet Message Center is by no means the only product out there. Another company, Brightware (www.brightware.com), offers a more ambitious set of technologies that uses "case-based reasoning" to answer a high proportion of inquiries without any human involvement at all. With a string of blue-chip clients, an eight-week set-up time and a price tag of $190,000, Brightware's product is evidently not intended for the smaller business.

Tools that help companies deal with the e-mail deluge are going to become increasingly important. And if the trends already evident on the web are anything to go by, the sophistication of these tools is likely to increase dramatically, and their price to fall.

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Travel News • Roger Bray

A greener drive

Budget is to offer gas-powered rental cars in the UK. They will be able to run on either liquid petroleum gas or unleaded petrol, switching from one to the other at the touch of a button. The company says that while the number of service stations selling LPG is expanding rapidly, ability to convert will mean that customers always get fuel. It claims the move is in line with its "commitment to environmentally friendly development".

The cars, 1.8-litre or 2-litre Ford Mondeos, will be available in London from spring, but will be offered later in other cities, such as Edinburgh.

Early birds

Early birds will get the best deals when Go, British Airways' low-cost carrier, takes to the air this spring. Following a pattern established by existing cut-price rival EasyJet, it will offer blocks of seats at progressively rising prices – shifting to the next fare level when the cheapest have been filled.

The airline, which will be based at London's Stansted, plans flights to Italy, Spain, Scandinavia, France, Germany and Italy, although it has still to decide exactly which cities to serve. Another question to be resolved is whether it should fly to primary airports or secondary ones, which may be less convenient but where charges are often lower.

'Hidden agenda'

Airlines seeking to cut travel agents' commission have a hidden agenda. It is "a blatant attempt to raise air fares" masked as a need to lower distribution costs. So claims Hal Rosenbluth, chief executive officer of Rosenbluth International, the Philadelphia-based business travel agency chain. His reasoning goes like this: weaken the agents, make it difficult for them to fund computerised systems which search for the cheapest deals, and carriers will be able to improve their yields. The net result will be "unbridled airlines charging higher fares to the public", says Rosenbluth.

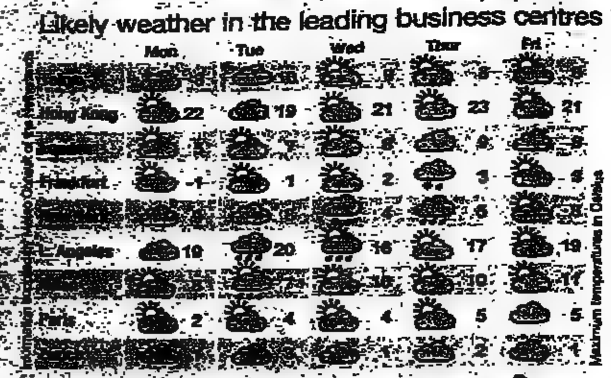
On the ball

Business aircraft could be in short supply during this summer's World Cup in France, warn UK brokers Hunt & Palmer. The problem is being created not just by supporters, who are commandeering 100-seaters such as the BAe 146, but by companies who are snapping up jets with 18 seats or less to take favoured clients to matches, particularly those to be played at night.

Director Jamie Martin says: "We are handling inquiries daily and have many confirmed bookings. We have told clients to firm up or face up to the alternative where we might have to charter European-based aircraft." He adds that chartering an aircraft from continental Europe can mean higher costs and less favourable departure times as they have to be flown into the UK.

Kiwi rooms

The Copthorne chain claims the opening of two new hotels in New Zealand make it this month make it the biggest four-star operator there. One is on Anzac Avenue in Auckland – its third in the city – and has 106 rooms. The other, which has 126 rooms, is in Christchurch and is its second there. Last October Copthorne launched a total of seven hotels in the country, among them properties in Wellington, Queenstown and Nelson.



Roger Bray looks at the implications of the economic crisis in the region for the carriers

Airlines with a dose of Asian flu

Asia's economic crisis is forcing business travellers to switch flights and make longer and more circuitous journeys as airlines cancel services and suspend routes. Direct flights which looked lucrative when the region was booming suddenly look precariously disposable.

Travel agents report an increase in calls from customers who find their itineraries disrupted. Hogg Robinson, the UK business travel agent, tells of a client who arrived in Africa on business, intending to fly to Asia from there. While he was away he found an onward flight had been axed and there no alternative but to re-route him via his original jumping-off point – London. "When routes are suspended we usually get plenty of notice but there has also been a fair amount of last-minute chopping and changing, too," says Mike Platt, Hogg's commercial director.

Although nobody can be sure how long the downturn will last, it all seems far removed from the bullishness which prompted the International Air Transport Association into a recent prediction that by 2010 international traffic to and within the Asia-Pacific region would have all but tripled in 15 years.

The main problem for airlines is that the collapse of the region's currencies have made it too expensive for many Asians to holiday abroad. That explains why Korea's Asiana has suspended flights to a range of destinations including Paris, Frankfurt and Vienna, and why Qantas has trimmed services from some Australian cities – among them flights to Seoul, Jakarta, Kuala Lumpur and Bangkok. Qantas passengers needing to fly from Brisbane or Melbourne to the Indonesian capital, for example, must now go via Sydney.

US carriers have also been cutting back. Northwest Airlines will suspend flights between Detroit and Seoul from next Monday, sending customers via Tokyo instead. United Airlines will drop Manila on February 20. It was difficult to make money flying there before the crisis, the airline says, and recent events have exacerbated the problems.

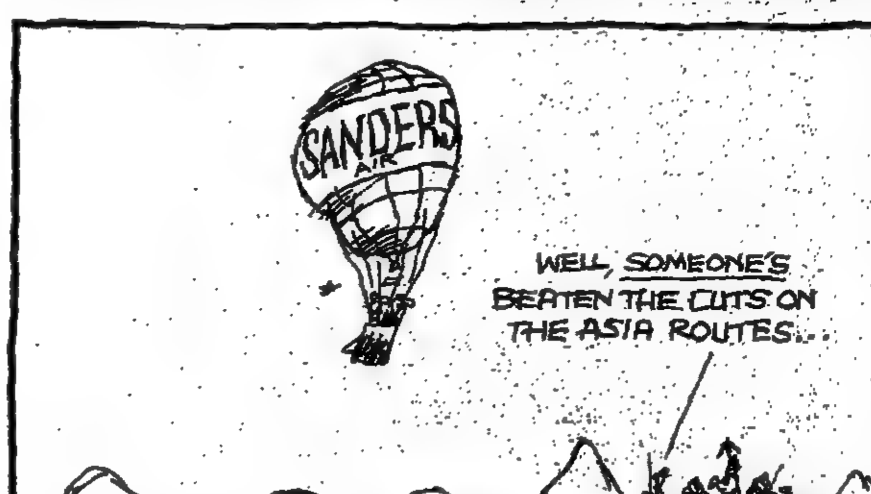
Japan Airlines has decided to reduce some regional services when the summer schedules come into effect in April. It will cut Tokyo-Hong Kong flights from 28 to 21 a week, and reduce services from Nagoya to Manila and Singapore from six to three a week and from five to four respectively. But the airline still plans to increase its operation to the United States and Europe, upping flights from Tokyo, Nagoya and Osaka from a total of 14 to 18 a week, for example.

Some services remain surprisingly intact. Despite shedding 760 staff, Cathay Pacific says it has no plans to axe routes or reduce frequency. And some airlines have been tweaking rather than cutting, dropping the odd service here and there to cope with the fall in traffic. British Airways has made "tactical" cuts, dropping some mid-week flights from London to Beijing and Seoul. Elsewhere it is trying the plug the gaps with special offers such as a £349 economy return fare to Hong Kong. Says the airline: "Passengers affected by the Beijing changes have been flown to Hong Kong and transferred to other carriers operating regional services from there."

Air France will prune up to about 25 per cent of its capacity between Paris and Seoul until the end of April. It normally flies three times a week and says it will cut a maximum of eight flights, depending on the number of passengers who scrap their travel plans. "The problem is that groups of Koreans have been cancelling trips. But we are maintaining all flights and frequencies to other Asian destinations," it says.

Some airlines are watching and waiting. German airline Lufthansa says: "We have made no changes to routes or frequencies yet but we are monitoring the changing economic conditions in markets across the region and we will take whatever steps are needed to ensure the continued profitability of services there."

It is not all gloom for travellers. According to Platt of Hogg Robinson, it has become easier to get seats to Asia and while hoteliers in the region have tried to resist offering discounts to business guests, they are now much more open to persuasion.



Marooned on a Channel island

Guernsey is fighting to retain its air links to London's Heathrow after the route's sole operator announced that it will pull out at the end of March.

The decision of Air UK to sell its slots to British Airways for a reported £8m has caused uproar on the Channel island, where finance is the main industry. Air UK, owned by KLM of the Netherlands, attempted to ease the news of its withdrawal by announcing a new service to Amsterdam's Schipol, but the one-a-day flight is seen as inadequate by the island's business community.

Although the island will still have links to Gatwick via CityFlyer, a British Airways franchise, and Air UK will continue to run its Stansted service, the island's business community believes that these will not be good enough. BA plans to use the slots for other destinations. The island's Transport Board is due to meet transport minister Glenda Jackson, although the meeting is not scheduled until the end of February. Efforts are being made to have it brought forward.

The reaction of Guernsey's business community to the loss of the slots has been unequivocal. Mike Collins, chairman of G-Mex, the group representing the majority of the island's manufacturing exporters, said that the link is vital to passengers connecting to Guernsey flights who need a smooth changeover. "It could be the difference between them coming to us or doing business elsewhere." Peter Crook, director-general of the finance industry regulatory body, the Financial Services Commission, says: "If we lose the Heathrow link we will be at a disadvantage against our competitors and will lose business."

Air UK did not expect to be applauded for its decision, says Henny Essenberg, chief executive. "We are a privatised business and we have to serve the market and our own business objectives." The sale of the slots was a trade-off between the airline's interests and those of its customers. Mr Essenberg concedes that Stansted, in Essex, is not as convenient as Heathrow for those travelling on to destinations outside the UK, but he added that Schipol's connection to the rest of the world wer better than London's.

British Airways, which con firms that an "exchange" of slo has taken place with Air U denies that it is "stockpiling slots in case it has to give any u as a result of its proposed al ance with American Airlines.

Mark Ogie

Mark Ogier is a journalist w the Guernsey Evening Press a Star

Capital choice for MBAs

London's universities are piling into the lucrative business market, writes **Della Bradshaw**

Later this week LSE, the London School of Economics and Political Science, will consolidate its position in the management education market with the launch of a specialist MSc degree in the subject.

The degree is LSE's second masters programme in management and will be run jointly with the Association of Corporate Treasurers, which claims it will be the "intellectual and professional equivalent of an MBA".

LSE is just one of the many London universities and colleges homing in on the lucrative area of management education, once the preserve of London Business School. Two other university colleges, Imperial and Royal Holloway, like LBS, award MBA degrees under the University of London brand.

Michael Earl, acting principal at LBS, believes they are targeting a different market. "Almost exclusively, when students apply to us, they are not applying to another UK business school. It's a choice between us and a north American business school or us and Insead."

The schools are wary, however, of comparing their courses to the LBS product. Charles Harvey, director of the six year old Royal Holloway school of management, describes LBS as "out of the frame", a graduate school with international standing.

David Norburn, director of the management school at Imperial College, believes the courses have to differentiate themselves to succeed. The Imperial MBA is a one-year programme that builds on Imperial's strengths of innovation, he says.

When LBS was set up in 1965 it had an exclusive position. Now there are at least a dozen universities in London offering an MBA degree and a further handful, such as the LSE, that run masters degree programmes in management.

City University was first in the field. Like LBS it began management studies in the 1960s and ran its first MBA programme in 1979.

The big rush came in the 1980s, when the old London polytechnics set up management courses. Today eight of them, all now universities – East London, Greenwich, London Guildhall, Middlesex, North London, South Bank Thames Valley and Westminster – run MBA courses, along with Kingston University on the outskirts of London.

Now more established universities are being pulled into the market, says Ann Rinsler, MBA course director at Kingston business school. "In the early days the traditional red brick universities didn't think of business as suitable. Now there is a perceived need which has been driven by student demand."

LSE and Birkbeck college – both colleges of the university of London – are offering specialist masters programmes in management but are differentiating themselves from an MBA. Peter Abell, director of the Interdisciplinary Institute of Management at LSE, says the school is aiming for the "more academic end" of the market.

Nonetheless, it currently has 1,000 applicants for the 40 to 50 places on its existing masters course in management.

Birkbeck runs a masters degree in international business, and, says Jonathan Michie, the Sainsbury professor of management at Birkbeck's department of management, "It would be silly to compete against LBS."

As well as the newcomers, some more established entrants are joining the London scene. All full-time MBA students at Henley management college have studied in London from last September. Henley is occupying customised premises at Regents College in Regents Park – a stone's throw from LBS. Henley's marketing director, Michael Pitfield, says the school plans to expand on the site and will run courses and seminars as well as its degree programme.

The Henley MBA was previously run from Brunel university, at Uxbridge, on the outskirts of London. That, too, has now launched its own MBA programme.

The rush to launch more courses has also resulted in a building spree. Birkbeck College has a new building, the Clore Management Centre, in central London and Royal Holloway is planning to build a £6m graduate school of management at its Esher site to be used jointly by its students and those from EAP, the Europe-wide management school.

The big question is whether there will be enough UK or overseas students to fill the places – some 1,000 or so full-time MBA students alone. "There are enough people prepared to hand over dosh to do MBAs," says Prof Norburn. The question, he says, is whether the institutions will have to lower academic standards to fill their places.

NEWS FROM CAMPUS

The high price of success

Britain's managers are beginning to question whether success is worthwhile whatever the price, according to a survey conducted by the Roffey Park management institute.

The survey, *The Management Agenda*, concluded that more than half the managers questioned believe work stress is having a negative impact on their home life. The majority believe their employer does nothing to help them cope with heavy workloads. *The Management Agenda* is priced £25.

Roffey Park: UK, (0)1293 851644

Raise a glass to Roberto

The Goizueta business school at Emory university in Atlanta, Georgia, has received $20m (£11.9m) from the estate of Roberto Goizueta, former chairman of Coca-Cola. The school changed its name in 1994.

This is the second big announcement by the Goizueta school in as many weeks. It has just appointed Tom Robertson, currently deputy principal at London business school, to be the new dean.

Goizueta: US, 404 727 6099

GE injection for Simon school

The Simon school at the university of Rochester in New York has received $219,845 (£131,524) from the General Electric Learning Excellence Fund.

The fund is to promote the year-long Coach-Mentor scheme in which second-year students help first-year ones to deal with the challenges of an MBA. Half the money will be used to implement the scheme, the rest to support research into team learning.

Simon: www.ssb.rochester.edu

Wharton talks technology

The Wharton school at the university of Pennsylvania will hold its second annual technology conference on February 20. The programme will address issues facing industry leaders and managers of the technology industry and is titled *Viable Strategies for the Internet and Wireless Markets.*

Wharton: www.wharton.upenn.edu/

Browns foots the scholarship bill

The Judge Institute at Cambridge university in the UK has teamed up with the famous Browns restaurant group, but it is for more than just the odd luncheon or buffet supper.

Browns is to offer a scholarship for students on the Cambridge MBA course aimed at UK applicants who are working in hospitality and tourism.

Last week Cambridge also announced that the Margaret Thatcher foundation has given £2m to the university to set up a professorship in enterprise studies.

Judge Institute: UK, (0)1223 339700

Second term at Chicago

Robert Hamada has been re-appointed as the dean of the university of Chicago graduate school of business for a second five-year term.

Chicago: www-gsb.uchicago.edu

Information for News from Campus should be sent to Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL Tel: 44 171 873 4673 Fax: 44 171 873 3950

Executive action to counter the US invasion

Switzerland's IMD business school, in Lausanne, is to launch an executive MBA programme later this year.

The EMBA is the school's most important initiative in recent years and is intended to provide European competition for the growing number of US-run international EMBAs, in particular the programme run by the Fuqua school of business at Duke university in the US.

IMD has traditionally been a management training centre with a small full-time MBA course attached – about 80 students in total.

IMD rejected the idea of an executive MBA in the past because Switzerland provided too small a market for the traditional weekend part-time programme, says Paul Strebel, professor of change management at IMD. That has been turned on its head by the success of the EMBA offered by Fuqua, which teaches in residential blocks during the week.

Like the Fuqua course, the IMD one is intended for high-flying company-sponsored managers. And, like Fuqua, IMD is launching a premium course with premium pricing – SFr80,000 (£34,000) excluding accommodation and living costs.

The course, designed by programme director Andrew Boynton, will be based on a combination of the existing IMD MBA and its professional executive development programme (PED).

The EMBA has five selling points, says Prof Strebel.

- It is based on management themes rather than functions, such as economics or accounting.
- It combines the best of IMD's full-time MBA and executive programmes.
- Each participant will have to develop and present a global business development project appropriate to his or her organisation.
- It is the first programme in Europe not built round weekend participation.
- It will include three one-week overseas visits to Silicon Valley, Shanghai and northern Italy.

The three "world business discovery trips" will study innovation, how to create business alliances and the relationships between suppliers and distributors. They will all involve company visits rather than classroom teaching, says Prof Strebel. "We don't believe in taking people to another continent to sit them in a classroom."

Della Bradshaw

ARTS

OPENINGS

CHICAGO
The world premiere of Harrison Birtwistle's *Exody*, originally scheduled for January 22, will now take place on Thursday. Daniel Barenboim, the Chicago Symphony Orchestra's music director, cancelled the original date due to the death of his father in Israel. *Exody* will be paired with Tchaikovsky's Sixth Symphony, and there are repeat performances on Friday and Saturday.

PARIS
After staging *Der fliegende Holländer* at English National Opera last autumn, the Norwegian director Stein Winge tackles another big Wagnerian drama at the Bastille: *Tristan und Isolde* opens on Wednesday with Wolfgang Schmidt and Sabine Hass in the title roles. The conductor is James Conlon.

Ligeti's *Le Grand Macabre* receives its French premiere at the Châtelet on Thursday. Peter Sellars' production, sung in English, was first staged at last summer's Salzburg festival. Esa-Pekka Salonen conducts the Philharmonia Orchestra, and the cast includes Willard White, Graham Clark and Sibylle Ehlert.

LONDON
The Hayward Gallery has organised the first major public showing of Francis Bacon in the UK for 10 years. Opening on Thursday, it brings together important works involving the human figure, both single canvases and large triptychs. At the same time, the Hayward is presenting a retrospective of the distinguished French photographer Henri Cartier-Bresson (left).

The 22-year old violinist Julian Rachlin makes his London recital debut at the Barbican on Sunday. Rachlin has been performing with leading orchestras since he was 15. His London programme includes sonatas by Beethoven, Brahms and Franck.

Lakeboat, by David Mamet (author of *Glengarry Glen Ross*, *Oleanna*) is to receive its UK premiere on Thursday at the Lyric Studio, Hammersmith.

DALLAS
Andrew Litton soaked up British music traditions during his years with the Bournemouth Symphony Orchestra, and is now spreading the word at the Dallas Symphony Orchestra, where he is music director.

His festival of British music opens at Meyerson Hall on Thursday (repeated Friday and Saturday) with a programme of Britten (below left), Elgar and Walton conducted by Graeme Jenkins. Later in the month Richard Hickox conducts Britten's *War Requiem*, and there will be two further programmes before Easter, directed by Mark Elder and Litton.

NEW YORK
China: 5,000 Years, opening at the Guggenheim Museum on Friday, explores the themes of innovation and transformation during the great eras of Chinese art. It comprises more than 500 works of art, ranging from the Neolithic period to modern times. Many of these objects have never been seen outside China.

FORT WORTH
Renoir Portraits continues its North American run at the Kimbell Art Museum. The exhibition opens there on Sunday and closes on April 27.

CLEVELAND
Vatican Treasures at the Cleveland Museum of Art offers 39 outstanding objects (above), ranging from the gem-encrusted silver-gilt cross of Justin II to Caravaggio's nearly 10ft-high "Entombment of Christ". The exhibition runs from Sunday to April 12.

Sergiu Celibidache: a true genius on the podium, but was he one of a vanishing breed?

Making of a maestro

Andrew Clark on the special qualities, and personal demons, of a great conductor

What makes a great conductor? The question has long been a source of fascination, but it surfaces afresh in two recorded anthologies, devoted to some of this century's dominant musical personalities. A Teldec video, *The Art of Conducting: Legendary Conductors of a Golden Era*, offers rare footage of Erich Kleiber, Evgeny Mravinsky and others excluded from a 1994 anthology from the same source. Some of the most revealing extracts feature Sergiu Celibidache, who is also the subject of an 11-CD set of recorded material from EMI.

The 115-minute video is a splicing-together of archive films, ranging from Willem Mengelberg in the 1930s to Celibidache in the 1990s. The clips are interspersed with interviews, some amounting to hot air (Menuhin), some highly illuminating (Vic Firth, the Boston Symphony's timpanist), which attempt to explain the hold exerted by these conductors on musicians and audiences. But the conclusion – "what made them different was total belief in the music, and total belief in themselves" – is misleading, because it could apply to many conductors past and present, not all of whom can be counted great.

The value of the film is the way it brings legendary names to life in the context in which they excelled: making gestures in front of an orchestra. Kleiber, the least flamboyant, directs a 1932 Berlin *Blue Danube* of unaffected elegance. Furtwängler waves his wand in an unexpectedly precise and vital *Till Eulenspiegel*. Mengelberg gesticulates like a mad professor, Karajan preens himself for the camera. The film includes rehearsal shots and other material of documentary interest, such as Mravinsky talking about Shostakovich. The clips of Charles Munch are the most vivid of all, as much for the speed at which he takes the *Daphnis* Bacchanale as for his devilish smile.

But for people like myself, who met Mravinsky and Celibidache and can recall the impact of their concerts, the interest lies in comparing those memories with footage of them as younger, more dynamic personalities. The video gives a brief glimpse of Mravinsky in his prime, surveying the Leningrad Philharmonic with the grim, tight-lipped expression of a martinet. It also shows Celibidache conducting the *Egmont* overture with the Berlin Philharmonic in 1947 and *Till Eulenspiegel* at Stuttgart in 1964: both conjure a personality at odds with the guru-like figure of his later years. Here on film you sense his explosive temperament, his passion and sense of urgency.

Such qualities are regrettably absent from the EMI CDs, which draw on a private archive of tapes made by the Munich Philharmonic in the early 1990s – when Celibidache, renowned for his opposition to recording, was in his 80s. Instead of highlighting his greatness, they underline his weaknesses. His Mozart and Haydn seem laboured; Tchaikovsky Five and Six are laden with metrical-rhythmical power, so that the musical line never really takes wing; the Schumann Third and Fourth symphonies sound stolid, despite the Munich Philharmonic's exemplary articulation; Beethoven's Fifth has rare cumulative power, but is denied the first-movement repeat.

By conventional standards, and by the standard of the earlier performances on video, these Munich performances are slow. To some degree this reflects Celibidache's conviction that sound needs time and space to resonate, that every instrumental voice must be given its place as part of a whole. But it also suggests that, in common with most conductors, there was a slowing of reactions as he got older.

By contrast, in Bruckner and in "colouristic" music, Celibidache's slowness worked wonders – but there is no such music on the EMI anthology (the exception is Debussy's *Iberia*). The triumphs of his last 15 years were the Bruckner symphonies 3-9, Ravel's *Alborada del gracioso*, Fauré's *Requiem*, Strauss's *Tod und Verklärung* and Beethoven's Sixth Symphony. He conducted them time and again. Where are the tapes? Why weren't they chosen? What about recordings of his concerts with the Stuttgart Radio Symphony Orchestra in the 1960s and 1970s, some of which were broadcast by the BBC? These would be of far greater value.

Pirate recordings of Celibidache concerts from the 1950s have long existed, usually in second-rate sound with second-rate orchestras. The EMI anthology gives us an "official" legacy – authorised by the conductor's son, in excellent sound and with copious notes on Celibidache's interpretative approach, but with no biographical information. The gains of listening to these CDs must be weighed against the fact that they contradict Celibidache's lifelong philosophy: "Music arises out of the moment, and this moment cannot be fixed or repeated".

However flawed some of Celibidache's performances may have been, there is little doubt that he was a great conductor. But what defines greatness in a conductor, and why is it so absent today? If the only requirement was a musicality which spoke to others, conductors like Solti and Maazel would qualify. But you would hardly put them in the category of Klemperer, Mravinsky or Celibidache.

What the great conductors of the past had in common was an unshakeable belief in their view of the music, and an ability to summon tremendous energy at the moment of performance. This surge of energy is not something that even-tempered people can experience. It indicates a person with manic-depressive tendencies – someone whose natural inclination is to hold back, an introvert who becomes extrovert only through the medium of an orchestra and the sound it creates. This is the one high-tension situation that allows him to break through his resistance, and to experience a "high".

Every great conductor has been observed to go into a state of high emotion in great works of music. This emotion communicates very easily to the musicians, whether they like the conductor or not, and to the audience; it provokes a psychological and emotional response which surmounts any objective criticism. It is an expression of something in the depths of the conductor's personality, and it builds up only because it has such rare opportunities to come out.

By its nature, this rush of energy and emotion cannot find expression every day – which is why none of today's jet-setting conductors falls into the category of "great". If Jansons, Barenboim and Gergiev were great conductors, they would not allow their energies to be spread so thinly. By contrast, Carlos Kleiber – who has fulfilled only a handful of engagements these past 10 years – is recognised as great. What kind of performances would he give, and what would our impression of him be, if he was guest-conducting all round the world, 100 concerts a year?

In the past, conductors did not move around so much. In his 50 years with the Leningrad Philharmonic, Mravinsky guest-conducted just once. When he wasn't on the podium, he withdrew to his dacha to watch the birds and study his scores. Stokowski, Toscanini, Celibidache spent most of their time with one orchestra – and had *carte blanche* to do what they liked with it. There were fewer concerts, which meant less scope for routine, which in turn meant less room for disillusionment with the conductor. Conductors worked their way up slowly, they weren't expected to be boy wonders. Concerts were more of an event.

The political, social and economic pressures of the modern world have changed the conditions in which the conductor works. He has become accountable to too many people. He must do photocalls and interviews, he is paraded in front of sponsors and – most crucial of all – he is subject to the democratic vote of the musicians. He must be diplomatic. And if a conductor is obliged to think of pleasing people, the expression of his convictions suffers.

That is why Celibidache was a great conductor. He was not universally liked, but he was universally respected. Whenever an orchestra invited him to conduct, he set out his conditions – to do the repertoire *he* wanted, in the rehearsal time *he* stipulated – and waited till he got them. And he got them, because there were always people who recognised he was special.

Musical/**Brendan Lemon**

The Capeman sings the blues

Almost since it began preview performances two months ago, stories about the new Broadway musical *The Capeman* bled off the arts pages of New York newspapers into the gossip columns. How was Mark Morris, the show's director and a Broadway neophyte, getting on with its creators, the pop-song craftsman Paul Simon and his collaborator, the Nobel-prize winning poet Derek Walcott? Would the musical, capitalised at $11m and without the slick corporate backing of the theatre season's other two extravaganzas, *The Lion King* and *Ragtime*, ever earn back its initial investment?

Against the backdrop of this swirling coverage, it was something of a relief to walk into the Marquis Theatre, New York and finally have a look at the production. It would be an even greater pleasure to report that all the advance chatter was superfluous, and that *Capeman* was a triumph. Alas, it proves to be dramatically undernourished, an all-too-listless musical that, despite its well-crafted songs and its bold design by the Bob Crowley, never quite soars.

Difficulties arise in almost every department. To begin, there is Simon's choice of story: the life of Salvador Agron, a teenage Puerto Rican gang member in New York whose face was splashed across newspapers in 1959 when, at the age of 16, he was convicted of the murder of two adolescent boys and condemned to death. (The sentence was later commuted.) Agron sometimes wore a black cape with a red lining, hence the title.

For Simon, Agron's story must surely have seemed a chance to revisit the streets of his New York City childhood, which throbbed with the rhythms of doo-wop and early rhythm and blues. And he has, in fact, written several lilting numbers in these modes, as well as songs that successfully blend salsa, gospel, and early rock'n'roll.

The dramatic narrative, which in act one follows Agron from his troubled childhood through the murder and its aftermath, and in act two shows him during his two decades behind bars where he acquires an education and a political consciousness, lacks sufficiently integrated incident. That Simon's themes – forgiveness, redemption – are powerful ones are not enough to compel interest. This is a shame, because the show's melodies and lyrics are often lovely. Walcott's poetic hand feels particularly evident in the scenes set in the Caribbean, where characters sing lines such as "a quarter moon like a dagger tears across the sky."

Given the inherent difficulties of the material, Mark Morris (who returned to his dance company during the last weeks of preview) and Jerry Zaks, who was brought in at that time to "doctor" the show, have probably done as much as they can to shape the story.

Their actual staging, on the other hand, is less laudable, lacking energy and, interestingly for a show worked on by Morris, high-level choreography. Specifically, the first-act murder occurs in a rushed, confusing fashion that blunts its central impact; for an audience used to watching gang rumbles of a spectacular *West Side Story* variety (the Leonard Bernstein musical, by the way, was playing on Broadway at the time of Agron's crime), this sloppiness can only be a disappointment. More generally, the actors are too often left to wander on and off the stage, which robs *The Capeman* of momentum.

The performers themselves are variable. Ruben Blades, who plays Agron in middle age, looks uncomfortable much of the time, as does Ednita Nazario, as Agron's mother. In the role of the teenage, cape-clad Agron, Marc Anthony makes more of an impact, although his memorable moments all seem to occur when he is standing still, singing plaintively about his life against the brilliantly skewed perspectives of Bob Crowley's settings. The musical's only authentically theatrical moment, in fact, occurs when he is first shown leaning against the tilted base of a bleak New York City tenement, dwarfed by an unforgiving night sky.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Van Gogh Museum
Tel: 31-20-570 5200
Utagawa Kuniyoshi (1797-1861): works by the Japanese printmaker; to Apr 5

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Walküre: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Feb 4, 7

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by James Levine in works by Webern, Messiaen and Brahms; Feb 4, 5, 6

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Beethoven and Bruckner; Feb 3

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
Scottish Opera: Così fan tutte: by Mozart. This new production by Stewart Laing receives its first performances in the refurbished Theatre Royal. The conductor is Nicholas McGegan; Feb 5, 7

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
Come back, Gabriel: world premiere of Ilkka Kuusisto's new work based on the true story of a confidence trickster who preyed on lonely women. Conducted by the composer in a staging by Jussi Tapola, with designs by Anna Kontek; Feb 3, 6

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
The Royal Opera: The Enchantress, by Tchaikovsky. Concert performance, conoducted by Valery Gergiev; Feb 2

EXHIBITIONS
Royal Academy of Arts
Tel: 44-171-439 7438
Victorian Fairy Painting: Exploring the fascination with the supernatural which took hold of British artists from the early 19th century until the First World War; to Feb 8, then touring to the US

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Eugene Onegin: by Tchaikovsky. Conducted by Michael Lloyd in a staging by Julia Hollander; Feb 4
● The Elixir of Love: by Donizetti. New production, directed by Jude Kelly and designed by Robert Jones. The conductor is Michael Lloyd; Feb 3, 7
● The Magic Flute: by Mozart. Conducted by Christopher Moulds in a staging by Nicholas Hytner, revived by David Ritch. Cast includes Ian Bostridge; Feb 5
● Xerxes: by Handel. Conducted by Noel Davies in a production by Nicholas Hytner, revived by Emma Jenkins; Feb 6

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery; Feb 7

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Mark Wigglesworth in works by Brahms and Beethoven. With piano soloist Stephen Kovacevich; Feb 5, 7, 8

MANCHESTER

CONCERTS
Bridgewater Hall
Tel: 44-161-907 9000
Hallé Orchestra: conducted by Kent Nagano in works by Britten, including his Double Concerto. With viola soloist Yuri Bashmet and violin Gidon Kremer; Feb 5

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Die Zauberflöte: by Mozart. Conducted by Riccardo Muti in a staging by Roberto De Simone. With sets by Mauro Carosi and costumes by Odette Nicoletti; Feb 3, 5, 7

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Theodor Guschlbauer in works by Roussel and Brahms. With violin soloist Shlomo Mintz; Feb 5, 6

EXHIBITIONS
Musée d'Orsay
Tel: 33-1-4549 1111
www.Musee-Orsay.fr
Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; from today until May 17

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
● Tosca: by Puccini. Conducted by Jan Latham-Koenig in a staging by Walter Schroeter. Maria Guleghina sings the title role; Feb 3, 7
● Tristan und Isolde: by Wagner. New production conducted by James Conlon in a staging by Stein Winge, with designs by Lennart Mörk. Cast includes Wolfgang Schmidt and Sabine Hass; Feb 4, 8

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
Cosi Fan Tutte: by Mozart. Conducted by Gary Bertini in a staging by Ezio Toffolutti; Feb 2, 5, 8

ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
Le Nozze di Figaro: by Mozart. Production for the Teatro Comunale in Florence by Jonathan Miller. Conducted by Hans Graf, with sets by Peter J Davison; Feb 3, 5

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Carl St. Clair in works by Haydn, Brahms and Mendelssohn. With cello soloist Michael Grebanier and violin Chee-Yun; Feb 5, 6, 7

TEL AVIV

CONCERTS
Mann Auditorium
● London Symphony Orchestra: conducted by Sir Colin Davis in works by Sibelius, Beethoven and Sibelius; Feb 4, 5, 7
● London Symphony Orchestra: conducted by Sir Colin Davis in works by Berkeley, Beethoven and Dvorák; Feb 8

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Deutsche Oper: conducted by Christian Thielemann in works by Blacher, Beethoven and Brahms; Feb 3

OPERA
Bunka Kaikan
Tel: 81-3-3828 2111
Deutsche Oper: Der Fliegende Holländer, by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Feb 2

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
Hansel and Gretel: by Humperdinck. New production, previously seen in the US, designed by Maurice Sendak, directed by Frank Corsaro and conducted by Randall Behr; Feb 3, 5, 7

VIENNA

EXHIBITIONS
KunstHausWien
Tel: 43-1-712 0495
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists; to May 3

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

Personal View • **William Dudley**

Hard landing ahead

Keeping the US economic expansion on track now seems a matter of luck

& The current US economic environment might fairly be characterised as the "best ever". The misery index – the sum of inflation and unemployment – is at its lowest level in more than 30 years. And while productivity growth was higher in the 1960s, most people would gladly trade that for today's higher standard of living.

But keeping the economic expansion intact now depends mainly on luck. The pilots are hunkered down in the cockpit, the plane is on autopilot and the fuel tanks may be running dry.

The Washington cynic may argue that the economy can now operate unfettered. We take a less sanguine view for two reasons.

First, the ability of the Clinton administration to take further steps to contain the Asia crisis is limited. A distrustful Congress has been baulking at increasing the US capital contribution to the International Monetary Fund or allowing more direct support from the US. This increases the risk that the crisis could intensify, increasing the shock in the US.

Second, as a result of the Asian crisis, Fed policymakers have put monetary policy on hold despite evidence that a strong domestic economy and a tight labour market are pushing up wage inflation. This means that, if the crisis is contained and the shock is small, and the US domestic economy continues to barrel ahead, then the US economy could overheat, necessitating a much harsher Fed response later.

Consider what might happen if Congress fails to approve legislation increasing the US capital commitment to the IMF, as sought by the Clinton administration. Or even worse, restricts the administration's ability to use the exchange rate stabilisation fund to backstop the IMF.

If the crisis were to intensify again, and the IMF needed additional resources, then the turmoil abroad could broaden. That is because the ability of IMF aid to calm the waters depends critically on the perception that there are adequate resources to reassure investors. If the IMF aid package is sufficiently large, worries subside and investors do not rush to convert their obligations into hard currencies before the well runs dry. But if the package is judged inadequate, then the run is not forestalled. Ironically, this means that the actual call on IMF funding may be much greater when the package is judged too small.

Although the Asian crisis appears to have subsided, this risk is still significant. That is because the potential claims on the IMF's resources are large and growing: Thailand, Indonesia and Korea have already negotiated IMF adjustment aid and other countries could follow. If a new problem arose at a time when Congress was cutting back on the available resources, that alone could cause the financial crisis to broaden and intensify. Under such circumstances, the shock from these crises to the US economy would increase. Demand for US goods and services abroad would fall and low-cost imports would increase their penetration into US markets. The blow could conceivably grow to endanger the US expansion.

The circumstance that Federal Reserve chairman Alan Greenspan finds himself in – worrying about a strong domestic economy, a tight labour market and rising compensation costs on the one hand and a sizeable shock to US trade on the other – has also increased the risk of a hard landing.

As Mr Greenspan's balanced and brief testimony to the Senate Budget Committee implied last week, there is no way to know for sure which force will dominate – the strength of the domestic economy or the shock from the foreign turmoil.

Tightening right now is particularly unappealing because it might exacerbate the Asian currency crisis and because the economy is about to slow as the Asian shock hurts US exports. It is also difficult to sell given that inflation fell in 1997 and the Asian shock will keep that trend in place for a while longer. The path of least resistance is to sit and wait and hope that the size of the shock turns out to be "just right".

Although the Fed's behaviour is understandable, it is also troubling because it means that the Fed no longer controls the outcome. By the time it gets the information it wants, it may be too late to keep the economy on the proper glide path.

If the shock from Asia is too big, then the shock to the US economy is severe and this leads to a hard landing directly. The US economy slows sharply, squeezing corporate profits. As a result, the stock market sinks as corporate earnings disappoint and investors become more risk adverse as the economic outlook darkens. In addition, capital spending falls as companies trim back their outlays due to reduced cash flows and a lessened need for new capacity. The stock market decline, in turn, leads to reduced consumer spending as the so-called "wealth effect" runs in reverse. The savings rate rises and the economy falls into recession.

> The pilots are hunkered down in the cockpit, the plane is on autopilot and the fuel tanks may be running dry

Too small a shock leads to a hard landing by a more roundabout route. The economy keeps growing fast enough to push down unemployment. The labour market pushes up wage inflation and companies raise prices. The Fed responds belatedly by raising interest rates. But the higher interest rates cause the stock market to sink as the economy slows and the decline in wealth causes households to cut consumption.

A hard landing is difficult to avoid because once the unemployment rate starts to rise it is hard to stabilise it at the desired level. Instead, the virtuous circle – rising confidence, surging stock market, strong investment – works in reverse, leading to a hard landing.

Given the economy's vulnerabilities, what should be done? Most importantly, President Clinton and Congress should authorise additional capital for the IMF. This would reassure investors that the IMF has sufficient resources to contain the Asian currency crisis.

The sad fact is that a substantial midcourse correction to monetary policy was appropriate long ago, perhaps as early as September 1996. Earlier action would have slowed the economy's growth momentum, tempered the stock market's enthusiasm, and led to less robust capital spending. The labour market would not be as stretched and the economy would not be as vulnerable to a reversal in the equity market or in the capital spending path. As a result, the Fed's task of engineering a soft landing would not prove so difficult or rest so precariously upon the vagaries of good luck.

The lesson for the Fed is that when there is an opportunity to tighten, it should be taken, because later that opportunity may be lost.

The author is director of US economic research, Goldman Sachs

LETTERS TO THE EDITOR

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Italy strong enough for it to qualify for Emu at outset

From Mr Fabrizio Galimberti.

Sir, Simon Briscoe (Letters, January 26), suggests that the UK authorities, presiding over the EU, should encourage Italy to join Emu in the second wave: "The euro would be stronger and the UK would not be the only large country left out at the start," he says.

The second reason seems peculiar. If somebody paints himself into a corner, the confinement might be less solitary if company is at hand. But to expect company in the circumstances is wishful thinking. The first reason deserves more careful examination. The strength of a currency depends on internal balance (inflation) and external balance (current account).

On the first score, Italy can boast low inflation, both actual and expected. The social cohesion – a precondition for low inflation – is revealed by the fact that Italians can fork out, with relatively little murmurs, 6 per cent of gross domestic product more in taxes than they receive in public services (such is the size of the primary surplus in 1997, among the highest in the world).

On the second score, Italy's trade accounts provide a disproportionate share of EU's current surplus with the rest of the world. Moreover, Italy's deficit/GDP ratio is in 1997 within the 3 per cent target, even excluding the controversial gold transaction. And what about the deficit in ten years' time? Markets are prepared, in exchange for that risk, to accept a yield of just 30 basis points more than for Bunds.

In fact, Italy's large external surplus ensures that (a) the public deficit is wholly financed domestically, (b) Italy can export savings to finance other countries' deficits and (c) its efficient and liquid market in debt securities can add depth to the euro capital markets, thus increasing international seignorage.

As far as what Mr. Briscoe calls "economic rationality" goes, European citizens should beg Italy to become a fully-paid member of Emu from the very beginning.

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Accountability linked to corporate prosperity

From Mr Mark Goyder.

Sir, How ironic that the publication of the Hampel Report on corporate governance ("Companies face 'supercode' on conduct", January 29) should coincide with the news that Shell has worked with its stakeholders to solve the Brent Spar problem ("Brent Spar rig to be rebuilt as ferry quay", January 30). Accountable businesses are successful businesses. The formalities of accountability are of little relevance in companies which operate in a spirit of accountability. Our research suggests it is the trusted and adaptable businesses which survive to deliver lasting shareholder value.

Yet on the first page of the Hampel report we read the statement: "But the emphasis on accountability has tended to obscure a board's first responsibility – to enhance the prosperity of the business over time."

Accountability is an ingredient of future prosperity and not a threat. The belief that business must choose between the two is a 20th century response to a 21st century issue – the issue of public trust in companies.

As Brent Spar shows, business is experiencing an explosion of accountability and tomorrow's companies will harness the energy which that explosion brings. Corporate governance is about accountability and prosperity – not accountability or prosperity.

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'The people' not in evidence

From Mr Allen Levy.

Sir, I, too, saw "The Peoples Art" and agree with Christopher Dunkley ("The other side of the coin", January 28). It seems to me that not only are the gateways to broadcast media in the arts guarded by a select few (Melvyn Bragg et al) but it also appears to be a continuation of Oxbridge by other means.

All the usual suspects were either on the panel or were invited to ask questions from the audience. However where were "the people"?

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US law firm was first down the globalisation path

From Karsten Schmidt.

Sir, I should like to set the record straight with regard to some of the assumptions made by Robert Rice in his article on the alliance between Freshfields and Deringer Tessin ("Freshfields to set up German law alliance", January 26).

There has been international legal representation in Europe and in Germany in particular since 1962. Baker & McKenzie, conceived as an US international law firm whose vast majority of partners are non-American today, has been operating in Europe since 1960 and in Germany since 1962. It was that law firm which broke the taboo of multiple office law firms and multiple bar admissions in Germany and thus opened the way for others to follow suit.

Baker & McKenzie has today 20 European offices with more than 700 lawyers. Every major European country is covered and there are six offices in the former communist bloc countries. All of this was created by organic growth rather than by mergers with the result that Baker & McKenzie enjoys a close, family-type partnership operating among people who really know and appreciate each other.

It was thus "the Americans" who led the internationalisation of law firms, who created it and who took the economic risks to creating a global network. Baker & McKenzie with more than 2,400 lawyers, is by far the largest law firm in the world and probably the only truly global one with 55 offices in 34 countries.

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Bomb without boundaries

Alan Cane finds the millennium bug beginning to bite in UK businesses

Explosions, albeit small ones, are starting to go off. The consequences of the "millennium bomb" – expected to cause most computers to malfunction from 2000 and beyond unless remedial action is taken – are already being felt by the general public.

Only a handful of cases have been reported so far, and they may sound relatively trivial. But they serve to underline the fact that the risks to economies and to society in general are far from hypothetical.

The risks cannot be overstated: they range from minor difficulties in processing financial transactions, to the complete collapse of transport, energy and government systems, including pensions and social security.

The most recent example of bomb damage was reported in the Financial Times last week. French shopkeepers are experiencing problems in processing bank card transactions on point-of-sale equipment that has not been modified to take account of the bomb. The cards, newly issued last month, are the first to carry expiry dates in 2000.

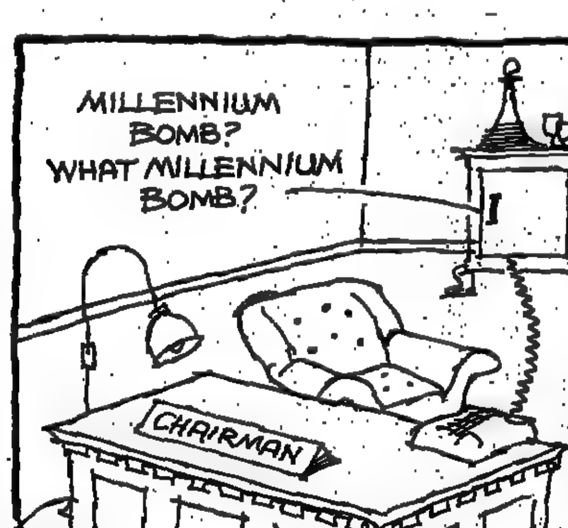
In another example, this time in Sweden, an executive with the telecommunications operator Global One, tried to use a credit card with the expiry date 01 00 to pay a parking fee – only to be told by the car park computer that his card had already expired.

More explanation of how the bomb was assembled are emerging all the time. Most people now know that the bomb is a consequence of techniques for saving expensive computer memory by storing years as two, rather than four, digits – 98 rather than 1998, for example.

Fewer are aware that programmers used a whole raft of tricks to pack software into the smallest possible space, all of which may potentially cause problems. September 9,1999 (9/9/99) for example, was sometimes used to indicate the end of a set of records to be processed. On that date, many computers may come to an unexplained halt.

Even where it was planned to store years as four digits, some programmers would insert only two.

The public may not realise how serious the problem is because many of the difficulties experienced by companies so far have been kept under wraps.



Businesses such as financial services, which deal in date-critical products, already have extensive experience of the bomb. Almost all life insurance and mortgage companies have had problems in processing records with 21st century dates.

So what effort is the UK, in particular, expending on dismantling the bomb?

The Bank of England is co-ordinating efforts to ensure that the UK financial services industry is 2000-compliant. UK banks, and the subsidiaries and branches of foreign banks based in the UK, will have spent £1bn between them in efforts to ensure their systems are safe by the end of this year.

> Most experts, however, believe less in an apocalyptic disaster than in a steady steam of minor and unpredictable failures

Business in general has yet to take the bomb sufficiently seriously. Board members, in particular, seem reluctant to be persuaded.

"I approached this job with a degree of scepticism," says Ian Eddison, acting director of Action 2000, the government-sponsored agency set up to help business cope with the problem. "I thought: 'It can't be that bad'. Since I've been here I've changed my mind."

Mr Eddison's change of attitude reflects the experience of many who have examined the century date change problem in detail. What seems a trivial, if tedious, piece of technological tinkering at the outset turns out to be a monster whose tentacles stretch in all directions.

Mr Eddison makes it clear, however, that although he acknowledges serious problems remain, he does not believe the UK situation is "all gloom and doom". Large companies, he points out, are spending huge sums to ensure compliance, while the country's utilities are co-operating with one another and with Action 2000 to guarantee the integrity of the UK's infrastructure: "I'm increasingly confident we can avoid a doomsday scenario," he says.

Others are less sanguine. Peter de Jager, a computer specialist who is generally acknowledged as a leading authority on the millennium problem (in the US, the "de Jager" index tracks the share price of software companies likely to benefit from Year 200 remedial work) last week attacked the UK approach as too little and too late.

He was critical of Action 2000's £1m a year budget and the fact that its chairman, Don Cruickshank, outgoing director-general of the Office of Telecommunications, plans to work for the organisation only one day a week. He said government was spending too little on modifying its own systems: "British Telecommunications alone is spending £350m on its anti-millennium bug project but the British government is spending only about £300m on all its systems. Is that enough? No."

Brad Collier, a consultant with the company ESSP, which specialises in rendering "embedded processors" (silicon chips built into equipment) compliant says: "It is extremely frightening. We are rushing towards a brick wall rather fast."

Most experts, however, believe less in an apocalyptic disaster than in a steady steam of minor and unpredictable failures which will have a gradual but debilitating effect on the economy.

Big business will probably muddle through – although software specialists point to the few occasions on which large computer projects have been completed on time. But the big question marks hang over small and medium-sized enterprises.

While most are aware of the problem, few have started remedial work or begun contingency planning. Without their active participation, the whole of the UK's Year 2000 programme is at risk of failure.

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The UK drugs champion

There is no shortage of superlatives to apply to the proposed merger between Glaxo Wellcome and SmithKline Beecham. For a start it is by far the biggest deal in corporate history and would create a pharmaceuticals giant more than 50 per cent larger than its nearest competitors, Merck and Novartis. So, in global terms, regulators will have plenty to think about if, as all observers expect, the two sides conclude their negotiations successfully.

For British industrial and science policy, the merger's implications are enormous. Those promoting the deal in the UK are already playing the nationalist card, pointing out that it would create a British champion in a fast-growing research-based industry, with a formidable lead over international competitors. In contrast, SmithKline's aborted merger talks with American Home Products would probably have led to a US-based company.

However, there may be a price to pay in terms of job losses. By merging with Glaxo rather than AHP, SmithKline has somewhat tilted the balance of likely losses away from the US toward the UK. Although the unions were exaggerating their scale yesterday, it does seem possible that 2,000 to 3,000 jobs could go, including those of scientists at the research centres in Stevenage and Harlow.

The combined research and development budget of Glaxo and SmithKline is almost £2bn a year – three times more than the next largest UK spenders on R&D, Zeneca and Unilever. No other industrialised country will be so dependant on a single company for the health of its research base.

Another domestic concern is that the "cluster effect", which has spurred fruitful competition between a handful of international drugs companies based in England, disappears if the UK industry is reduced to Glaxo SmithKline and Zeneca (which is about one-fifth its size). This does not matter as much as it would have in 1971 when Beecham bid unsuccessfully for Glaxo, because the industry is so much more global today, but the government may still be worried about the loss of competitive pressure.

None of these issues is sufficiently serious to block the merger on anti-trust grounds. Glaxo SmithKline would have less than a 9 per cent share of the world pharmaceutical market, and the competition authorities should be satisfied if the combined company agrees to sell off products in the few areas where both Glaxo and SmithKline are strong, such as herpes medicines and anti-emetics. But they will have to be vigilant if the UK merger triggers another wave of consolidation in the industry. Glaxo SmithKline may not be the world's biggest drug company for long.

Bowing out

There is both emotion and substance in Australia's monarchy debate. If the outcome is to do them justice, Australians must concentrate on the former and eschew the latter.

After two centuries under a British sovereign, there is an enormous wrench implicit in severing ties with a crown that has served Australia well. Yet these ties have diminishing meaning to generations of more recent immigrants.

Nowadays Australia is a cosmopolitan, Pacific-oriented society. Sooner or later its constitution must recognise that. Ultimately the issue is thus not whether to become a republic, but what form that republic should take.

It looks easy to replace the monarch with a directly elected president. But thought must be given to the nature of the president's powers on which the whole nature of government hinges. Are they to be absolute, far-reaching and concerned with policy? If so what is the role for the prime minister? How can a new constitution incorporate the checks and balances needed to underwrite democracy?

A smooth transition would allow for a president to assume a broadly similar role to that now assumed by the governor-general who represents the Queen on the ground. His task is basically to ensure that the government abides by the constitution and that the prime minister does not usurp his powers. It would be difficult to achieve that with a directly elected president who would inevitably be a creature of partisan politics.

What is needed is a president of bipartisan stature, perhaps elected by a college of eminent persons, or better still by an absolute majority of both houses of parliament, as Malcolm Turnbull, the laywer of Spycatcher fame and a leading republican, suggests.

Such a person could provide stronger safeguards than Australia's present constitutional monarchy, which is flawed because the prime minister has enormous power in choosing the governor-general. Despite Sir John Kerr's famous sacking of Gough Whitlam in 1975, many Australians believe Mr Whitlam would have had Sir John removed if he had got to the Queen first.

A president above politics, with powers confined basically to those required for the guarantee of democracy, would bring the best of both worlds. The new office would retain the safeguards inherent in a constitutional monarchy and leave the rest of government virtually unchanged.

But Australia would have shed the archaic traditions of a monarchy that looks more and more alien as time goes by.

Driving ahead

Karel van Miert may not be a name that trips off the lips of millions. But perhaps it should be. For if anything can bring home the merits of the much-maligned European Commission, it is Mr Van Miert's tough stance on monitoring the single market. Without a strong policeman to stamp out anti-competitive practices, the EU's bigger companies could all too easily abuse their position to the detriment of European consumers.

In his latest sally, the Belgian European commissioner has slapped a Ecu102m fine on Volkswagen for allegedly bullying its Italian dealers into refusing to sell cars to non-Italian customers. Brussels was responding to protests from German buyers that they had been turned away from dealers in Italy, where prices are cheaper.

While the fine is large – double the previous record – it seems in line with the scale of the offence and the resources of the offender. VW is appealing against the verdict. But according to the commission, the group repeatedly bullied its Italian dealers into complying with its orders over 10 years, despite numerous complaints from consumers and two formal warnings from Brussels.

Motor companies are already in a privileged position with their special rights to exclusive dealerships. This block exemption from EU competition law was last renewed for seven years in 1995, despite protests from consumer groups which claim it distorts competition and boosts prices. The industry won the day, arguing that good after-sales service requires exclusive outlets. But companies are braced for defeat next time. The best they can expect is that the privileges will be phased out slowly. Companies which break the current rules – as VW has been found to have done – will only have themselves to blame if they get an even rougher ride in 2002 than they anticipate.

The advent of monetary union will raise the pressure for ending such impediments to cross-border trade. Consumers will easily compare prices. Not just motor groups, but also other companies will find it increasingly difficult to maintain cross-border price differences. A few industries might successfully delay price uniformity for a while – notably pharmaceuticals, where governments, the dominant buyers, themselves enforce different national price regimes. But even in drugs, there are moves to try to harmonise EU pricing.

Nevertheless it would be wrong to rely solely on the power of Emu to unify markets. As the VW case shows, there is no end to corporate ingenuity. Even with Emu, there will still be a big job for Mr Van Miert.

Prescription for the future

The £100bn SmithKline Beecham-Glaxo deal is sure to put mergers back on the agenda, says **Daniel Green**

At 2 o'clock on Friday afternoon a telephone rang in an office high above Franklin Plaza, central Philadelphia. The call was from Berkeley Square, London.

The conversation was brief, but its effect will be felt for years. The man from London simply said that the world's biggest corporate deal was on.

In Philadelphia was Jan Leschly, former Danish Man of the Year and Davis Cup tennis star. A tall, lean, blond, his combative nature had taken him to the chief executive's position at the UK's second biggest drugs company SmithKline Beecham.

His caller was Sir Richard Sykes, an even leaner Yorkshire microbiologist who had driven up through the drugs industry's ranks to be chairman of Glaxo Wellcome, the UK number one.

Their deal was to create a company that would be worth more than £100bn. That would make it the biggest drugs company in the world and the third biggest in the world after General Electric of the US and the oil group Royal Dutch/Shell.

The two men had known each other for many years. In the 1960s, both worked for US company Squibb, with Mr Leschly the senior of the two.

Although they were rivals running UK drugs companies headquartered in West London, both men got on well, serving on the same industry committees. Indeed, Mr Leschly seemed to be able to deal with Sir Richard's aggressive style better than other pharmaceuticals executives.

The two had a similar strategic view as well – that the drugs sector was destined to consolidate sooner or later. The two had held brief and inconclusive merger talks early in 1997. But Glaxo was only two years out of its hostile takeover of UK rival Wellcome and was not ready for another upheaval.

The trigger for the resumption of talks was the revelation last weekend that SmithKline was considering a merger with US rival American Home Products.

It galvanised Sir Richard into calling Mr Leschly to suggest there might be a better deal on offer. The two agreed to meet.

On Tuesday, Mr Leschly and Sir Richard were talking face-to-face in New York. Such was the secrecy that SmithKline staff were simultaneously publishing official confirmation of AHP talks.

By Wednesday, a few senior executive were told of the plans so that discreet preparations could be made for the massive task of telling the two companies' 110,000 employees of the merger.

On Thursday SmithKline's board met at its US headquarters in Philadelphia to give the deal the nod.

On Friday Glaxo's board met at its Greenford site, west of London, with the same result. At 7pm London time, Sir Richard made that call to Mr Leschly.

Not everyone in the industry is shocked by the news. Senior executives at Novartis, the Swiss drugs company, see it as confirmation of the wisdom of their 1996 decision to create the company out of former Basle rivals Ciba and Sandoz.

The parallels between the two deals are striking. Ciba and Sandoz were neighbours; SmithKline and Glaxo have headquarters a few miles from each other in West London, and their main research centres are a few miles apart to the north of the city.

Top management at both companies are well-acquainted and share a social and industrial culture. Their view is that there is plenty more consolidation to come in the fragmented sector.

A combination of Glaxo and SmithKline would have a global market share of more than 8 per cent, far ahead of Novartis, and Merck at about 5 per cent.

So if the destiny of the industry is to consolidate, what better than to pluck up the courage to find a willing partner, rather than risk being a wallflower at the pharmaceuticals industry ball?

If Novartis is indeed the model for Glaxo SmithKline – as the company is likely to be called – then about 10 per cent of the new company's 110,000 workforce can expect to lose their jobs over the next two to three years. About 20 per cent went from Novartis in Switzerland.

Novartis cut staff largely through early retirement. That might not be so easy at Glaxo, which has just emerged from the takeover of Wellcome in which 1,700 jobs went in the UK alone.

Not all drugs industry chiefs share Sir Richard and Mr Leschly's confidence in merger.

Only last Thursday, Jean-René Fourtou, chairman of France's Rhône-Poulenc, warned that mergers would boost profits only for two years, while costs were being cut.

After that, the new company would be thrown back once again on research and development to create new products. Therein lies the drugs industry's long term problem: R&D is not producing enough new products to sustain historic levels of growth.

Indeed, work by Andersen Consulting last year suggested that productivity needed to jump eightfold for the average company to grow at 10 per cent a year. No wonder the drugs industry has signed thousands of partnership agreements with biotechnology companies: they are effectively contracting out an increasing slice of R&D.

Mr Fourtou's caution is not likely to dissuade chief executives across the industry from re-examining their merger options, not least because the biotechnology sector is an unproven way of boosting R&D productivity.

There have been large mergers and acquisitions every year since 1993. As well as Glaxo and Novartis, American Home Products paid almost $10bn for American Cyanamid; Merck and Eli Lilly of the US paid $6.3bn and $4bn respectively for drug distributors; SmithKline paid $2.3bn for a distributor and more than $4bn for Kodak's Sterling Health operation.

Last year was quieter. The $11bn takeover by Switzerland's Roche of the privately held German company Boehringer Mannheim was the largest transaction.

The 1980s had been different. Only in 1989 was there anything comparable: Beecham of the UK merged with SmithKline Beckman of the US, and Bristol-Myers merged with US rival Squibb.

The reasons for change lies in the economics of healthcare.

Drug company profits accelerated quickly in the 1980s as the advanced of post-war science led to big-selling new products such as Glaxo's ulcer drug Zantac.

In the 1990s healthcare became one of the biggest burdens to developed countries. The US healthcare bill is about $1,000bn a year.

Bill Clinton came to power in 1992 promising to reform healthcare. This coincided with the realisation that patents of important drugs such as Tagamet and Zantac would start to expire in the 1990s.

Pharmaceuticals company share prices fell rapidly. For the first time in a decade, share valuations assumed growth rates worse than the market average.

The industry's response was mergers and acquisitions, although it remains to be seen whether Mr Fourtou's reservations hold true and that cost-cutting and product based growth are not linked.

Glaxo and SmithKine insist this merger is "not about cost-cutting". They emphasise the combined R&D budget of almost £2bn a year.

However, the counter argument against this has been put on more than one occasion by Mr Leschly himself: doubling a company's size means that twice the new product launches are needed to grow at a given rate, and there is no evidence to suggest that a bigger R&D set-up is more efficient.

Perhaps more importantly, the marketing muscle of the two companies would be combined. Drugs companies have recruited thousands of new sales representatives in the US alone over the past two years and have shown commercials for drugs on prime time television.

Sir Richard has admitted that there was a close correlation between sales of the ulcer drug Zantac and the number of sales people assigned to selling it. The constraint was one of resources.

The new emphasis on marketing, has helped the drugs industry's prospects, as has the failure of health reform plans in the US and the modesty of efforts elsewhere.

But the mergers and acquisitions culture has stayed: Glaxo made no significant acquisitions from 1958 until 1995 when it made two.

Few companies these days – Merck is a rare exception – rule out the big deal happening to them sooner or later.

Indeed, a pattern seems to be emerging. The deals that have worked best are those between companies that are culturally and geographically close, such as Novartis. Those that have had troubles were very different, such as Pharmacia & Upjohn.

That means that crystal ball gazers should focus on Bayer, Hoechst and Schering in Germany, Rhône-Poulenc, Sanofi and Synthélabo in France, and Zeneca in the UK.

In the US, the names to watch are ScheringPlough, American Home Products, Bristol-Myers Squibb, Pfizer, Amgen, Abbott and several others.

These are companies either driven by ambition to be in theindustry's top half-dozen or fearful that they will be squashed by behemoths with unstoppable research, development and marketing power.

The obstacles remain geography and the human factor: which chief executive will run the show? SmithKline and Glaxo appear to have found a workable answer – Sir Richard would be executive chairman, with Mr Leschly as chief executive – as did Novartis. For others, such as Pharmacia & Upjohn, Bristol-Myers and Squibb, and SmithKline and Beecham, serious problems damaged the companies.

All the chief executives would rather be the one to make the telephone call than to receive it. That call, it seems, is increasingly likely to come from the competitor around the corner.

Top 20 pharmaceutical companies

	Company	Country	Sales: Pharmaceutical 1996 ($bn)	Sales: % of total
1	Merck Chief executive says 'no mergers'	US	13.30	50.5
2	Glaxo Wellcome Opportunistic dealmaker	UK	13.03	100.0
3	Novartis Plenty of cash and wants to spend it	Switzerland	9.86	33.6
4	Bristol Myers Squibb Few deals, but new R&D head in place	US	8.70	57.8
5	Hoechst Marion Roussel Keen to buy though still fixing last merger	Germany	8.37	100.0
6	Pfizer Fast growth; has power but not need to deal	US	8.19	72.4
7	American Home Products May merge on rebound from SmithKline	US	7.46	52.9
8	Johnson & Johnson Group huge already, least likely to merge	US	7.19	33.2
9	SmithKline Beecham Prepared to think, and act on, the unthinkable	UK	6.71	54.2
10	Roche Serial acquirer	Switzerland	6.69	51.8
11	[illegible] [illegible] by last big deal	US	6.43	87.5
12	Abbott Secretive; needs new chief executive	US	6.31	57.3
13	Astra Widely tipped as potential deal partner	Sweden	5.72	98.5
14	Takeda* Japanese companies not seen as dealmakers	Japan	5.20	87.4
15	Pharmacia & Upjohn Reeling from merger problems, but new chief executive	Sweden/US	5.08	70.8
16	Schering-Plough Top candidate for merger/takeover	US	4.85	85.8
17	[illegible]	France	[illegible]	89.0
18	Bayer Ideal size to deal, but part of huge group	Germany	4.78	14.8
19	[illegible]	[illegible]	4.19	74.8
20	Zeneca Perennial rumour victim; change of chief executive due	UK	3.80	46.4

*Year end March 1997

· O B S E R V E R ·

Bernheim's capture

■ Since he was ungraciously dismissed just before Christmas by Mediobanca, the secretive and influential Milan investment bank, Gerardo Braggiotti has been courted by several leading foreign and Italian institutions; he even thought about starting up his own banking business.

Now the Italian "whiz-kid" has plumped for Lazard Frères – he's joining as a partner in all three branches of the merchant bank in Paris, London and New York, and is expected to busy himself with Lazard's European investment bank and merger and acquisition activities.

That means his path is more than likely to cross with Mediobanca where he was one of the golden boys of Enrico Cuccia, the Milan bank's 90-year-old honorary chairman, and was even tipped as a future chief executive.

Braggiotti had made himself a nuisance with Mediobanca's old guard. He pressed for changes and a seat on the board – and even, some say, an eventual merger between Mediobanca and Lazard's; the two have close links.

But it was still a bit of a shock when – after 20 years and with recent successes under his belt like the privatisations of Telecom Italia and Banca di Roma and the peace treaty between Assicurazioni Generali and Allianz – he was called in by Mediobanca chief executive Vincenzo Maranghi late one Friday and presented with a letter of resignation to sign.

Veteran Lazard deal maker and senior partner Antoine Bernheim – who is also chairman of Assicurazioni Generali and deputy chairman of Mediobanca – has always been a fan of the 45-year-old Italian. It may not be long before Braggiotti is stirring things up again in the incestuous world of Italian business and high finance. Mediobanca surely hasn't heard the last of him.

Nom de guerre

■ After their general election pasting last June, you might have expected the leaders of France's Gaullist party Rassemblement pour la Republique – Rally for the Republic – to have many weighty matters to debate at the weekend's national talkfest.

But the big discussion was whether the party, after a mere quarter century as the RPR, should change its name. The alternatives weren't particularly radical: Rassemblement pour la France or just the minimalist and much-mocked Rassemblement.

Philippe Séguin, appointed party leader last autumn, is so practiced at sitting on the fence on ideological questions it was little surprise that he didn't put his considerable weight behind any of the alternatives in the debate.

Nor did he match his rhetoric over the last few months about returning power to the grass-roots of the RPR – or the RPF, or indeed the R. When a slim majority of delegates eventually voted to call the party RPF, he exercised his veto and opted for the existing name. Leadership at last.

Prize thoughts

■ As he collected Germany's Media Man of The Year award last week, Bertelsmann's entertainment chief Michael Dornemann might have spared a thought for last year's winner Jürgen Richter. Hardly had the then Springer Verlag chairman picked up his award when he pitched into a battle of wills with senior staff and finally Springer's supervisory board. Richter lost the battle and cleared his desk at the end of last year.

In recent months, Dornemann has seen – and gracefully accepted – the promotion of boardroom rival Thomas Middelhoff to chairman-designate, ready to take over when Bertelsmann's current head Mark Wössner steps down this autumn.

Dornemann and Middelhoff are known to have disagreed on the decision last year to seek an agreement with rival Kirch Group for joint development of digital pay-TV. Middelhoff was prepared to let heavily-indebted Kirch go to the wall, while Dornemann pushed for a settlement. It was partly that deal – still awaiting European Commission approval – that earned Dornemann his award.

Explosive case

■ The Port Authority of New York and New Jersey isn't giving up in its campaign to pin some of the blame for the 1993 World Trade Centre bomb on Norwegian explosives maker Dyno Industrier.

Its case – that Dyno sold "fertiliser materials that ultimately were purchased and used by the terrorists to construct the bomb" – was thrown out last month by the New Jersey district court, which said selling fertiliser was a long way downstream from planting a bomb. But the authority has now decided to appeal.

If the appeal succeeds, it could open up rich new seams for lawyers. The maker of the bombers' getaway car might be next.

The Financial Times

100 years ago

Murder Of Missionaries
Germany seems to be under the impression that the murder of some of its missionaries in China constitutes a strong claim for commercial and other concessions in the Far East. What the equivalent of a German missionary would be when worked out in commercial privileges we do not quite know, but we should think it would not be much.

50 years ago

Currency In Germany
Berlin, Feb. 1. Reform of the German mark on a nation-wide basis was discussed in a spirit of compromise by the four Allied Military Commanders during a 100-minute secret session after yesterday's Control Council meeting, Berlin political circles declared to-day. General Clay, United States Military Governor, submitted a complete currency reform plan on behalf of America and Britain, while Marshal Vassily Sokolovsky, the Soviet commander, presented another plan prepared by the Soviet military administration, it was stated. The plans showed marked differences.

FINANCIAL TIMES
Monday February 2 1998

ECB faces further wrangles over top job

By Robert Chote, Economics Editor, in Davos

A decision on the presidency of the proposed European Central Bank is unlikely until there is simultaneous European Union agreement on who should sit on the bank's executive board, according to EU finance ministers.

"It looks as though we will have to wait until May," said one finance minister, attending the World Economic Forum. He added that it was incumbent on the British, who hold the presidency of the EU for the first half of this year, to find a way to break the deadlock.

The debate over who should take the most influential and prestigious position in European central banking resurfaced last week with reports that the two main candidates would split the eight-year term.

Most EU countries would like the ECB to be run by Wim Duisenberg, the Dutch president of its forerunner, the European Monetary Institute. But France is insisting on its own central bank governor, Jean-Claude Trichet. Both are exponents of monetary orthodoxy, so there is little to choose between them on policy grounds.

One proposed solution was to set an age limit for the job, so that Mr Duisenberg would serve four years of the normal eight-year term before handing over to Mr Trichet. But Mr Duisenberg appeared to reject this in a television interview late last week, arguing that contravening the Maastricht treaty on European monetary union in this way would compromise the credibility and perceived independence of the ECB.

One finance minister argued that in order to reach a solution now it would probably be necessary to compensate the loser by adjusting the make-up of the ECB's executive board. In addition to the central bank governors of the countries taking part in the single currency, the board will contain the president, vice-president and four other appointed executive directors.

Senior European officials and central bankers in Davos warned that political horse-trading over the ECB presidency was the worst possible way to establish the credibility of the nascent institution. Otmar Issing, the Bundesbank's chief economist, said it would be damaging to the ECB if the public got the impression political deliberations were part of the selection process. Jacques Santer, president of the European Commission, said he hoped the matter would be settled soon.

Sir Leon Brittan, another senior member of the commission, was more forthright: "I am not in favour of shabby and shoddy political compromises. The sooner it is resolved in a clear-cut way the better," he said.

The row over the ECB presidency is also preventing a decision on a new head for the London-based European Bank for Reconstruction and Development.

Philippe Maystadt, the Belgian deputy prime minister and finance minister, has wide support, but France is insisting on its own candidate in what is widely seen as a bargaining tactic to help it secure the ECB job.

Banks pressed on gold price, Page 17

Mexico makes a spirited defence of tequila

By Leslie Crawford in Tequila, Mexico

News that South African investors are building a tequila distillery in the Eastern Cape has enraged producers of Mexico's national drink, who fear their $250m export industry will be undermined by foreign imitations.

Herminio Blanco, Mexico's trade minister, was dispatched to the World Economic Forum at Davos to persuade Alec Erwin, his South African counterpart, of the folly of the plans.

"We hope the governments of Mexico and South Africa are able to reach an amicable understanding," said Ramón González of the Tequila Regulatory Council. "If not, we are ready to file a complaint before the World Trade Organisation."

The object of the council's wrath is a Cape Town company called Tequila and Mezcal Distillers, which last year raised $3.2m among South African investors to build "the most modern and sophisticated computerised distillery for tequila in the world", according to promoter Gawie Venter.

To the further horror of Mexico's 53 licensed tequila makers, the blue agave, a spiky, sisal-like plant which gives tequila its distinctive taste, also grows in the Eastern Cape, where farmers consider it a bothersome weed.

Mr Venter is not the only distiller outside Mexico to seek to profit from tequila's growing popularity abroad. Mr González, who spends most of his time hunting down imitators, has amassed a collection of fake tequilas: from the US, Black Death and Mary Juana; from Spain, Colossal and Pancho Villa; from France, Desperados; and from South Africa, Buitral, a mean-looking label featuring a buzzard in a Mexican hat.

Last May, after 10 years of negotiations, the European Union granted "denomination of origin" rights to tequila akin to those that protect champagne and cognac in France. Under the agreement, Spanish "tequila" distillers were given two years to wind up their business.

Mexican tequila is also protected in Canada and the US under the North American Free Trade Agreement. It is recognised as a Mexican geographical designation under the WTO's agreement on trade-related aspects of intellectual property rights.

"South Africa is a signatory to the WTO," Mr González said. "Whatever they produce, they will not be able to call it tequila, and they will not be allowed to export it to Europe or the US."

Business alarm as internet is 'hijacked' for 48 hours

By Louise Kehoe in San Francisco

The global internet was "hijacked" for about 48 hours last week, according to internet experts, on the eve of publication of proposals by the US government to privatise some of its administration.

The experts said the incident, during which control of the critically important internet address system was diverted, highlighted the fragility of the electronic communications system upon which many businesses now rely.

Sally Tate, joint managing director of Prince, an IT consulting group organising a conference in Washington this week to address commercial concerns about the future of internet governance, said: "This is anarchy. The internet is like the Wild West, with no clear authority or legal recourse." Under proposals issued last Friday by the US Commerce Department, private sector organisations would take over functions currently maintained under contract from US government agencies, such as assigning names and numerical addresses to internet websites.

The proposals come after months of bitter debate among the technologists who currently control these functions. In what was described by close observers as a "last ditch effort" to assert their control, some of these technologists are alleged to have conspired to hijack control of the net.

According to several experts, the "Alpha server", which contains the directory of all internet addresses was bypassed between Wednesday and Friday last week. Many electronic inquiries for addresses were redirected to a computer system at the University of Southern California maintained by Jon Postel, widely regarded as the father of the internet addressing system. Mr Postel, who runs the Internet Assigned Numbers Authority (IANA) under contract from the Department of Defence, is the sole arbiter of the assignment of numerical addresses on the internet. He stands to lose much of his authority under the proposals.

Mr Postel said yesterday in an e-mail statement that he was in general agreement with most of the government's proposals. He described the diversion as a "test", a "verification that . . . a transfer can be accomplished smoothly and without interruption to the operational service".

Others compared the "test", 24 hours before the publication of the government's proposals, to weapons trials designed to show potential adversaries the strength of a country's arsenal.

EU and US consider new trade deal

Continued from Page 1

barriers to imports of agricultural products and set out basic principles on environmental protection and respect for core labour standards.

The Clinton administration believes that these elements are essential to persuade domestic lobbies and Congress to support negotiations with the EU. However, its demands could prove controversial in Brussels.

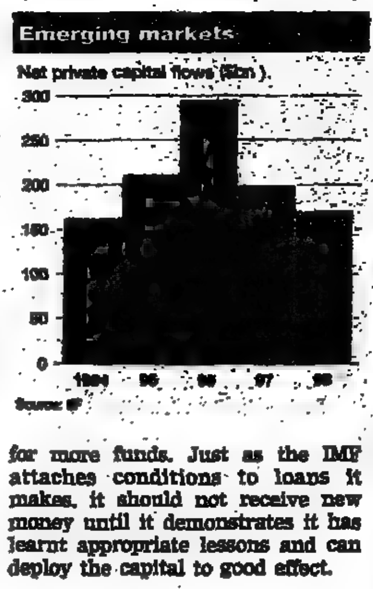
The US could face political difficulties if the EU pressed hard for it to reduce high textiles tariffs and reform the Jones Act, which restricts its coastal cargo shipping to vessels built and registered in the US. It is also unclear how US-EU negotiations, which would probably last years, would mesh with the global trade liberalisation agenda.

Sir Leon believes that a transatlantic free trade agreement could help generate momentum for a round of multilateral negotiations in the World Trade Organisation.

THE LEX COLUMN

Asian lessons

The after-shocks of Asia's financial crisis will be with us for some time. But following last week's South Korean debt rescheduling deal, the crisis itself seems to be abating. Now is therefore the time for post mortems. There are three big questions: how well has the IMF handled the crisis; have investors and borrowers suffered enough pain to avoid repeating their errors; and should capital flows to developing countries be restrained?



The IMF has certainly not covered itself with glory. Essentially what Korea, Indonesia and Thailand faced was a private-sector debt crisis compounded by weak banking systems. The IMF failed to diagnose this sufficiently precisely and, hence, only late in the day turned its attention to the need for debt rescheduling. Instead, it recommended macroeconomic and microeconomic remedies which, at best, tackled the debt problem only indirectly. The IMF's reforms were in themselves desirable enough. But they were rather like lecturing the victim of a car accident about not drinking and driving when what he needs is a blood transfusion.

The IMF's slowness in spotting the problem is not entirely its fault. It has developed its expertise dealing with crises caused by current account deficits and public sector debt. The Asian crisis was a new type of crisis, occurring on the capital account and in the private sector. Some of the classic remedies – for example, arranging $43bn for Indonesia – were beside the point. It is the Indonesian private sector, not the state, that is short of cash.

The newness of the Asian crisis also explains another IMF failure: poor communication. In the old days, communication was not important. The IMF could just cut a deal with the relevant government. But this crisis was different because of the huge increase in private-sector capital flows. Hence, the importance of keeping financial markets onside by detailing what its programmes were intended to achieve and how.

But does all this mean the IMF has been a disaster? Not quite. It did, for example, stress the need for banking reform right from the start of the crisis; that is essential to prevent a recurrence of problems. And it has been learning as the crisis has unfolded, with the result that the situation in Korea, at least, seems stable. That said, it is good the IMF is now having to justify itself – and in particular its request for more funds. Just as the IMF attaches conditions to loans it makes, it should not receive new money until it demonstrates it has learnt appropriate lessons and can deploy the capital to good effect.

Moral hazard

It is not just the IMF that needs to learn lessons. Private-sector investors and borrowers also need to do so. The crisis was caused by an exuberant disregard for risk. A common worry – the so-called moral hazard problem – is that the culprits will not learn their lessons because they have been bailed out. Indeed, there is some evidence that the bail-out of Mexico in 1995 set the scene for the Asian crisis by blunting perceptions of risk.

Hang on a minute. Those responsible could have been taught a more painful lesson by allowing the crisis to spiral out of control. But would that really have been sensible? It would be rather like a parent not stopping his child putting her hand in the fire; the child would never forget it but would be scarred for life. Moreover, in this case, many of the victims would have been innocent bystanders. One does not have to buy the theory that the global system was about to melt down to appreciate that, if Korea had defaulted, others like Brazil and Russia could have toppled.

The implication that those responsible have got off scot-free is also untrue. Borrowers are having to take tough measures to reform their economies. In Thailand and Korea, the crisis has even provoked changes in government. Investors have suffered losses too. Shareholders have been the biggest losers. But even foreign banks will lose money on their loans to private-sector companies. And indeed lessons are being learnt. There is now a consensus that it is not safe to invest in developing countries unless they have clean financial systems and proper bankruptcy procedures. There is even a recognition that corruption and dictatorship can be bad for business. All this is good.

There is, though, one valid concern. Foreign banks are not paying the consequences for foolish lending to domestic banks. Korea and Indonesia have effectively nationalised their domestic banks' short-term foreign debt. That is a particularly unsatisfactory message. Short-term foreign debt is the most volatile type of capital and, hence, the sort developing countries least need to attract.

Capital flows

Hot money played a role in Asia's crisis. When it flowed in, it fuelled the boom, and when it flowed out, it gave an extra twist to the downward spiral. But it would be massive overkill to argue for generalised capital controls. Investment flows – particularly direct and portfolio investment – should enable a more efficient allocation of capital throughout the world. That should allow developing countries to grow faster than they otherwise would and investors in developed countries to earn higher returns and reduce their risks through portfolio diversification. Direct investment has the added advantage of transferring management expertise and technology.

The problem in Asia, particularly Korea, was that it restricted this "good" type of capital and allowed hot money instead. Indeed, it is hard to see what good is done to anybody by unhedged borrowing in foreign currencies. Hence the attraction of specific controls to restrict this type of capital flow.

How to achieve this is another matter. Banning foreign currency borrowing would be draconian and probably unenforceable. Taxing it, as they do in Chile, seems arbitrary. Rationing it via a new multilateral institution, as George Soros has proposed, would be a recipe for bureaucracy. But finding some approach – which, ideally, goes with the grain of the market and encourages investors to price risk appropriately – should be one of the main tasks for the post mortem.

Lex comment on Glaxo Wellcome/SmithKline Beecham, Page 19

FT WEATHER GUIDE

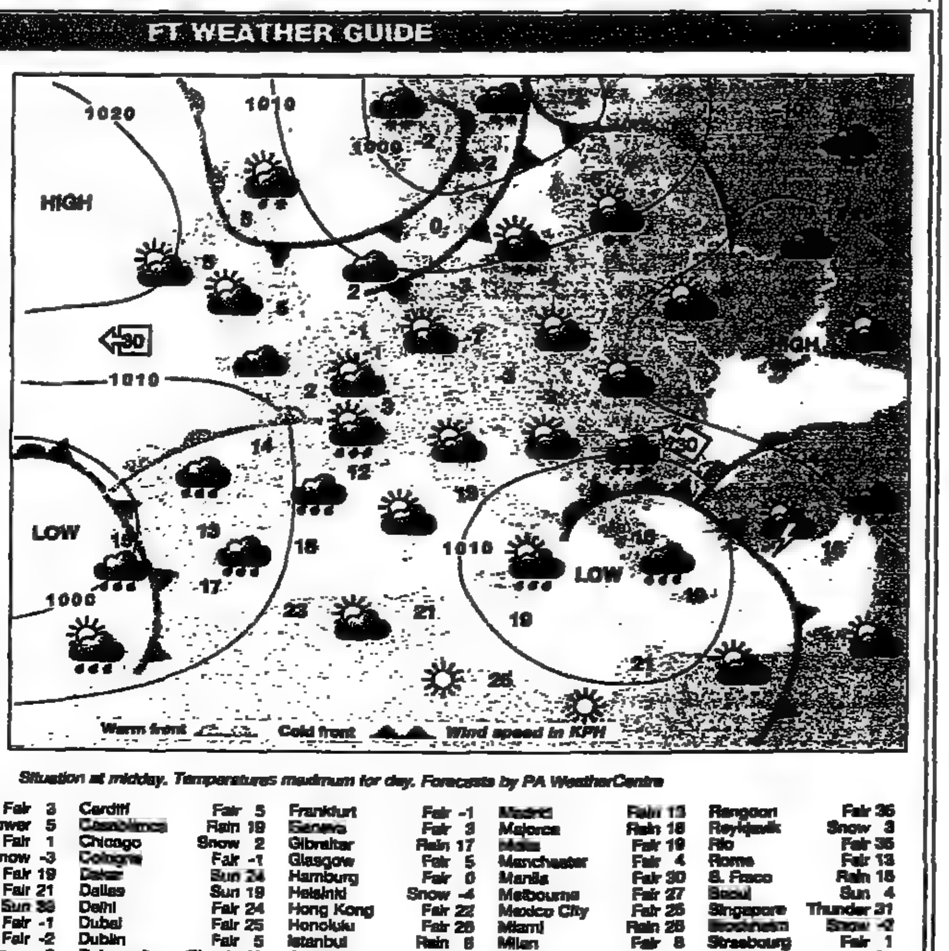
Europe today

Scandinavia and Russia will be very cold with widespread snow. Northern France, the Low Countries and Germany will also be bitterly cold with overnight frost clearing slowly. There will be some decent sunny spells, although northern Germany may have some snow.

High pressure extending from the Black Sea will keep much of central Europe dry with sunny periods, but it will be cold. The Mediterranean will remain unsettled. A slow-moving depression will trigger heavy rain across most of the Iberian peninsula and southern France. Greece will be overcast with heavy rain, but most of Italy will stay dry.

Five-day forecast

The Iberian peninsula will have heavy rain. This wet weather will move into Italy. The eastern Mediterranean will be dry on Tuesday but will turn wet for the rest of the week. Central Europe will stay mostly fine but cold with overnight frosts. Scandinavia and eastern Europe will remain cold with frequent snow.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Fair 3	Cardiff	Fair 5	Frankfurt	Fair -1	Madrid	Rain 13	Rangoon	Fair 35
		Belfast	Shower 5	Casablanca	Rain 19	Geneva	Fair 3	Majorca	Rain 18	Reykjavik	Snow 3
Abu Dhabi	Fair 25	Belgrade	Fair 1	Chicago	Snow 2	Gibraltar	Rain 17	Malta	Fair 19	Rio	Fair 35
Accra	Fair 33	Berlin	Snow -3	Cologne	Fair -1	Glasgow	Fair 5	Manchester	Fair 4	Rome	Fair 13
Algiers	Fair 23	Bermuda	Fair 19	Dakar	Sun 24	Hamburg	Fair 0	Manila	Fair 30	S. Frsco	Rain 15
Amsterdam	Cloudy 2	Bogota	Fair 21	Dallas	Sun 19	Helsinki	Snow -4	Melbourne	Fair 27	Seoul	Sun 4
Athens	Rain 15	Bombay	Sun 33	Delhi	Fair 24	Hong Kong	Fair 22	Mexico City	Fair 25	Singapore	Thunder 31
Atlanta	Rain 9	Brussels	Fair -1	Dubai	Fair 25	Honolulu	Fair 26	Miami	Rain 28	Stockholm	Snow -2
B. Aires	Fair 25	Budapest	Fair -2	Dublin	Fair 5	Istanbul	Rain 6	Milan	Fair 8	Strasbourg	Fair 1
B.ham	Fair 3	C.hagen	Snow 0	Dubrovnik	Cloudy 12	Jakarta	Thunder 30	Montreal	Cloudy 5	Sydney	Sun 29
Bangkok	Fair 33	Cairo	Fair 24	Edinburgh	Fair 5	Jersey	Fair 4	Moscow	Snow-10	Tangier	Rain 18
Barcelona	Rain 15	Caracas	Fair 29	Faro	Shower 17	Johannesburg	Fair 24	Munich	Fair 2	Tel Aviv	Fair 20
						Karachi	Sun 27	Nairobi	Fair 27	Tokyo	Fair 10
						Kuwait	Fair 21	Naples	Fair 15	Toronto	Cloudy 8
						L. Angeles	Cloudy 19	Nassau	Thunder 28	Vancouver	Cloudy 7
						Las Palmas	Cloudy 25	New York	Cloudy 9	Venice	Sun 5
						Lima	Cloudy 31	Nice	Fair 12	Vienna	Fair -3
						Lisbon	Rain 15	Nicosia	Shower 15	Warsaw	Cloudy -4
						London	Fair 5	Oslo	Snow -2	Washington	Cloudy 11
						Lux.bourg	Fair -1	Paris	Fair 2	Wellington	Fair 21
						Lyon	Fair 7	Perth	Sun 26	Winnipeg	Sun-12
						Madeira	Shower 19	Prague	Fair -7	Zurich	Cloudy 1

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FINANCIAL TIMES
COMPANIES & MARKETS

 Monday February 2 1998 Week 6

INSIDE

Whirlpool sticks to global plans

Whirlpool's results for 1997, to be announced next week, are expected to provide little to cheer investors who have suffered from bad news of the company's foray into Europe, Asia and South America. However, Whirlpool, the US's biggest domestic appliance company, insists the globalisation is on track. Page 19

MARKETS THIS WEEK

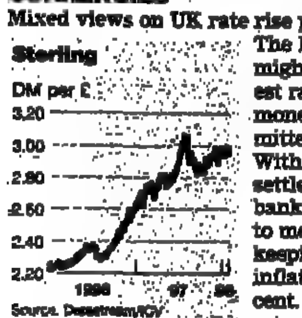
FRANKFURT
The German stock market will be subject to foreign and domestic influences this week. The Asian financial crisis, threats against Iraq, rising unemployment in Germany and the impact of Asia's woes on German banks' profits should increase caution among investors. Page 23

LONDON
High noon for the UK market could come on Thursday when the Bank of England's monetary policy committee decides on base rates. The FTSE 100 index reached three successive all-time highs last week. Page 23

NEW YORK
The mood at the US financial markets lifted last week when Alan Greenspan, Federal Reserve chairman, told Congress that the Asian financial crisis was a useful mechanism for cooling a US economy in danger of overheating. Page 23

TOKYO
Japanese shares are likely to continue to be affected by the scandals at the Ministry of Finance. On Friday, the Nikkei average closed below 17,000 on fears that a new revelation could further delay approval of the government's economic stimulus measures. Page 23

CURRENCIES
Mixed views on UK rate rise prospects



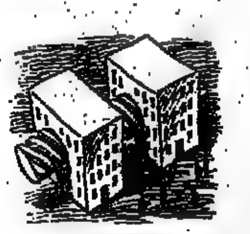
The Bank of England might approve an interest rate rise after its monetary policy committee meets this week. With new year wage settlements strong, the bank might raise rates to meet its target of keeping underlying inflation at 1-2.5 per cent. It might then put rates on hold to stop sterling from going into orbit. The pound ended last week at DM2.989 and $1.635. Page 23

GLOBAL INVESTOR
What has sparked increase in gold price?
Is last week's gold price increase to more than $300 an ounce an indication of a shift in attitude by the European central banks? Or is it a response to renewed fears of instability – the Asian crisis, tensions with Iraq and President Bill Clinton's political upsets? page 22

COMMODITIES
Aluminium may face further squeeze
Aluminium consumers will be watching to see if the supply squeeze developing on the London Metal Exchange grows tighter this week. Traders say the squeeze is aimed at groups that sold aluminium short. These organisations have to cover their positions in April and May. Page 23

SYNDICATED LOANS
Margins start showing signs of improvement
After four years of pricing declines, driven by liquidity in the banking system and tough competition for mandates, the syndicated loan market is seeing improving margins. Page 24

FT GUIDE TO THE WEEK – full listings Page 34



KRUPP STRATEGY
The merger of German engineering groups Thyssen and Krupp will move a step nearer on Thursday if Krupp's supervisory board approves an industrial strategy devised by Krupp's chief executive and the head of Thyssen Krupp Stahl, the two groups' joint flat steel subsidiary.

G-24 FORUM TO FOCUS ON CRISIS IN ASIA
The Group of 24, a forum of developing countries, meets in Caracas on Saturday to discuss global monetary and finance issues. The three-day conference will focus on the impact of the Asian currency crisis on emerging markets.

Companies in this issue

Market Statistics http://www.FT.com

Loan risk in Europe from Asian crisis is manageable says S&P

Bank losses 'could reach $20bn'

By George Graham in London

European banks could face losses of up to $20bn on their lending to Asia, according to new estimates from Standard & Poor's, the credit rating agency.

S&P has used data supplied by individual banks to calculate European bank credit exposure to South Korea, Thailand, Indonesia and Malaysia, the four countries most affected by the Asian economic crisis. According to S&P that exposure totals $110bn to $130bn.

Just 20 banks are carrying 85-90 per cent of these loans, many of which are likely to turn bad this year. S&P expects 30 per cent of all Thai bank loans and 50 per cent of Indonesian loans to be "non-performing" in 1998.

Few European banks have yet released detailed information on their credit risks in Asia, but some, such as Deutsche Bank, have started to disclose exceptional provisions to cover their exposure in the region.

Losses from investment banking activities, such as equity derivatives and securities trading or underwriting, could push the damage even higher, as disclosures from Chase Manhattan, Paribas and Union Bank of Switzerland have indicated. But S&P still believes European banks are strong enough to weather the shock.

"The potential damage is manageable in the context of

Business opportunities	Page 6
Thais press IMF	Page 3
Lex	Page 16

the capital strength and indeed the earnings capacity of the European banking sector," the agency said.

Other rating agencies, such as Thomson BankWatch, have also concluded that Asian exposures are manageable for European banks, although Moody's has warned it may lower the ratings of several French and German banks.

Estimated losses in Asia are equivalent to 7-9 per cent of common equity for the 20 European banks with the largest exposure, or 30-40 per cent of one year's pre-provision earnings. Economic expansion in most of Europe means that 1997 provisions for non-Asian loan losses are likely to continue the decline begun in 1995.

French banks are the most exposed, with Crédit Lyonnais, whose exposure to Thailand, Malaysia, Indonesia and Korea exceeds its tangible equity, the most vulnerable bank in Europe.

German lending to the region has been spread among more banks, with exposure in many cases representing 30-60 per cent of published core equity.

Deutsche Bank last week announced a DM1.4bn ($775m) provision covering DM9bn total exposures in the four worst-affected Asian countries, which is equivalent to about a quarter of annual pre-provision earnings.

Strong domestic earnings mean that UK banks' exposure to the region is modest in relation to their increasingly strong balance sheets, S&P says.

Liberty International's man from the Pru

Jim Sutcliffe, who abruptly quit last year as head of UK operations at Prudential, the UK life assurer, is to join Liberty International Holdings as executive director and deputy chairman. His brief will be to build up the South African-controlled property and financial services group's fledgling financial services activities through acquisitions. Report, Page 20 Picture: Brendan Corr

Dresdner Bank to speed up moves to become global force

By Andrew Fisher in Frankfurt

Dresdner Bank, Germany's second biggest bank, is to step up its efforts to become a global force in investment banking and is still open to the possibility of making a US acquisition, Bernhard Walter, the new chairman, said.

"I want to see a speeding up of our progress towards becoming a global investment bank," he said in an interview with the Financial Times. This could involve a US purchase, but "we don't feel forced to make an acquisition". Dresdner could also grow from its own resources in the US.

The bank, which has suffered recently from a series of board resignations – mainly over directors' tax affairs – also intends to expand its overall banking operations in areas where it is under-represented, such as South America and Asia.

"I still regard Asia as a market of the future, despite the latest turbulence," Mr Walter said. The problems of several Asian countries would not have a severe impact on Dresdner, he noted. The bank would make all necessary provisions in its 1997 accounts and still produce "a very good result".

Last week, Deutsche Bank announced provisions of DM1.4bn ($765m) to cover risks in Asia. Mr Walter said Dresdner's exposure to Asian problem countries was relatively limited compared with other German banks.

He said the bank's costly expansion plans for Dresdner Kleinwort Benson, its investment banking operation, would be aimed at catching up with competitors in the US and Asia and improving its position in the German mergers and acquisitions market.

Commenting on the bank's talks on asset management co-operation with Allianz, the insurance group that owns 22 per cent of Dresdner shares, he said these covered options ranging from loose co-operation to a merger of their fund businesses.

He said the possibility of a merger between Allianz, Dresdner and the insurance company's Bavarian bank interests – which has prompted much speculation – was "not on our agenda".

At present "we are focusing only on the further development of our co-operation with Allianz", he said.

Monday Profile, Page 9

Deloitte says it rejected merger approach from Ernst & Young

By Jim Kelly in London

Deloitte Touche Tohmatsu, one of the Big Six accounting firms, has admitted it was in merger talks with Ernst & Young but says it rejected the approach after finding that none of its clients wanted the deal to go ahead.

Ed Kangas, global head of Deloitte, said he had been approached by E&Y and the deal had been discussed for 3½ days: "But we had no encouragement whatsoever to do the deal as not a single client in the world was pressing us to merge."

Mr Kangas said Deloitte had identified internal advantages from the proposed deal – such as spreading investment costs – but these had to be seen against merger costs such as consolidating office space around the world.

His claim that no clients backed a merger comes as the leaders of the Big Six firms – four of whom are considering two separate global mergers – gather at the World Economic Forum in Davos for a debate later today entitled: "The urge to merge – when is bigger truly better?"

The European Commission is likely to confirm this week that it is to take the proposed merger of KPMG and Ernst & Young to a full second stage inquiry. This has already happened to the proposed merger between Price Waterhouse and Coopers & Lybrand.

Senior executives at the merging firms have argued that clients are demanding consolidation. They are likely to dismiss Mr Kangas's statement as sour grapes and say that the proposed merger with E&Y was stymied by disagreements over job security for DTT partners.

Mr Kangas confirmed that DTT's policy was based on "strategic mergers" with important national firms outside the Big Six league, continuing a trend of recent deals struck in France, the Netherlands and Hong Kong. "We will continue to do these where we think it is strategic – perhaps a few more will be seen in the Asia-Pacific region especially with those firms of Chinese or indigenous heritage." He also predicted joint ventures with legal firms.

He denied reports that Deloitte's fast-growing consultancy practice could run into the same problems that are threatening to tear apart the Andersen Worldwide organisation, where high earning consultants are seeking complete separation from the traditional audit and tax business.

Mr Kangas said the mergers planned by competitors should be rejected by regulators. "They are unnecessary, as all the firms are doing well. We do not believe they are in the best interests of the public, regulators or the financial markets. We think there is a very high chance they will be stopped."

Meanwhile, executives at Price Waterhouse and Coopers & Lybrand have sought to distinguish their merger from that of KPMG and E&Y, saying it is a low-cost spoiler which would fall short of the globally integrated organisation that their partners have supported throughout the world.

[C]ase for globalisation, Page 18

S Africa presses central bankers on gold price

By Peter Martin in Davos

The South African government said yesterday it hoped that a meeting held with European central bankers in Davos, Switzerland, at the weekend would help prop up the gold price.

The French central bank also said it would not be selling gold.

Thabo Mbeki, South Africa's executive deputy president, said central bankers told him they recognised they had "a community of interest" with gold-producing countries. Even if central banks wished to sell gold, it was not in their interests to allow uncertainty about their intentions to depress the gold price artificially, he said.

"I believe the meeting will produce conditions which militate against the speculative selling of gold," he said. South Africa has been asking European central banks to make clear what they intend to do with their gold reserves, and to bring "transparency" into any transactions.

Some central banks have sold some or all of their gold reserves. Many are lending gold to bullion banks and helping to provide the market liquidity that allows producers to sell forward and hedge, a process that most observers suggest helps to depress the price.

This liquidity also enables speculative funds to sell short – sell gold they do not own in the hope the price will fall and they can cover their positions at the lower price.

Jean-Claude Trichet, governor of the Bank of France, told a panel discussion at the annual meeting of the World Economic Forum, in Davos, that he did not believe any big holders of gold would be selling.

"Speaking for our own institution," he said, "it is not at all in our intention to sell any gold." The main European holders of gold are the central banks of Germany, France and Italy.

Mr Mbeki said he had not expected explicit promises from the central banks, and he did not get them. "But I think they understood and I can only hope they respond," he said. He plans to hold a similar meeting with the US Federal Reserve soon.

South Africa also wants the European Central Bank which will be set up as part of the creation of the euro, to decide as soon as possible whether it intends to hold gold as part of its reserves. As a result of the meeting, Mr Mbeki believes the ECB will hold gold reserves.

Gold Fields, Page 19
Global Investor, Page 22

Liffe to lure 'locals' from Paris exchange

By Samer Iskandar in London

London's leading futures exchange will start poaching French traders today from the doorstep of its Paris rival as competition for market share intensifies in the run-up to European economic and monetary union.

London's International Financial Futures and Options Exchange, or Liffe, will start luring Matif traders to its floor by putting them through a fast track procedure for qualifying to trade in London.

The London exchange said the fast track was its response to demand from French locals who feel their jobs are threatened by Matif's decision late last year to forge an alliance, called Eurex, with the all-electronic German and Swiss exchanges. This alliance, which will become operational in April, is part of the European exchanges' preparations for Emu. They expect the introduction of the single currency to shrink the derivatives market by reducing currency and interest rate risks.

About 30 French locals – traders who speculate on the floor of the exchange with their own money – will be able to qualify as Liffe traders in a hotel within walking distance of the Paris bourse.

Liffe has made arrangements for the French traders to take the necessary exams, which have been simplified to account for their experience. They will be able to sit the exams between trades, during the lunch hour or outside Matif opening hours.

French locals choosing the fast track will overtake the year-long queue of other applicants to Liffe and can start trading in London within a month.

Although Matif has pledged to keep its floor trading in parallel with electronic trading, locals, who account for about a quarter of floor trading volumes, expect activity to shift quickly to the electronic system, which is much cheaper.

"We have been worried about our jobs ever since Matif started talking about computerising a couple of years ago," said one French trader who moved to Liffe six months ago after trading on Matif for almost a decade. "But this [electronic alliance] has happened too fast – none of the locals had any warning."

COMPANIES AND FINANCE

FT writers consider the implications of the proposed merger of Glaxo Wellcome and SmithKline Beecham

■ **RESEARCH AND DEVELOPMENT** - By Clive Cookson, Science Editor

Combination creates R&D powerhouse

Commentators may be focusing on cost savings and job cuts resulting from the proposed merger of Glaxo Wellcome and SmithKline Beecham. But the companies themselves emphasise the scientific justification for getting together.

They would have much the largest research and development organisation in the pharmaceutical industry, with a combined R&D budget of almost £2bn a year – 50 per cent more than their nearest competitors, Novartis of Switzerland and Merck of the US.

The rapidly rising costs of R&D have forced even large drug companies to specialise in developing new products for certain diseases and to ignore other areas. SmithKline, for example, no longer tries to discover new drugs in gastric ulcers, the area that made its fortune with Tagamet in the 1980s.

The Glaxo-SmithKline combination, on the other hand, could afford to operate across the board, leaving no important field of medicine untouched. It would also have the industry's most formidable array of the new technologies being used to find better drugs for the next century.

SmithKline led the whole pharmaceutical industry with its move into genomics – discovering how genes work together to cause disease – through its 1993 collaborative agreement with Human Genome Sciences, a leading US biotechnology company. SmithKline has also been most active in building up resources in bioinformatics: the use of information technology to make sense of the vast volumes of genetic and biological data pouring out of research laboratories.

Glaxo, meanwhile, has been the industry leader in applying combinatorial chemistry, the decade's most exciting new chemical research technique. It is a way of miniaturising and automating chemical synthesis, creating a huge diversity of compounds for testing as drug candidates.

Its expertise in combinatorial chemistry and high-speed testing of drug candidates for biological activity – combined with SmithKline's gene-based ability to produce biological targets, such as receptors on cells – should greatly accelerate the flow of new medicines into clinical trials.

Traditionally, international drug companies such as Glaxo and SmithKline have launched new drugs at the rate of about one a year. Glaxo has already set itself the target of launching three innovative products a year; in combination with SmithKline, it might be able to achieve five significant introductions a year.

When Glaxo took over Wellcome in 1995, many analysts expected the combined group to cut its R&D budget. That did not happen – even though the former Wellcome research centre in Beckenham was closed and many scientists lost their jobs – because Glaxo Wellcome contracted out more of its R&D and invested more in equipment to improve efficiency.

The same thing may happen again, but on a larger scale, if Glaxo and SmithKline get together. The merger could be good news for the biotechnology industry, which can look forward to more collaborative agreements, and for the contract research and development sector that lives off the pharmaceutical giants.

The medical fields in which Glaxo and SmithKline have strong research pipelines look remarkably complementary. For example, SmithKline's fast-growing vaccines business, one of the two largest in the world, has no counterpart in Glaxo.

Antibiotics, another SmithKline strongpoint, is only a relatively small field for Glaxo. However, antibiotic research is notable for being the area in which the two companies first decided to co-operate, in June 1996, after decades of all-out competition.

They signed an agreement to work together on investigating the genetics of bacteria, with the aim of finding chinks in the armour of antibiotic-resistant germs. Glaxo and SmithKline made clear then that, although the genetic data would be pooled, they would work "independently and in open competition" to convert the information into drugs. Now their researchers are set to go the whole way together, in antibiotics and every other field.

Top 10 worldwide drug sales

SmithKline Beecham

Brand name	Indication	2000 forecast (£m)
Augmentin	antibiotic	1,000
Relifex	anti-inflammatory/analgesia	300
Teveten	hypertension	275
Infanrix	prophylactic vaccine	260
Hycamtin	cancer	175

Glaxo Wellcome

Brand name	Indication	2000 forecast (£m)
Zantac	ulcers	750
Flixotide	asthma	660
Flixonase	allergic rhinitis	400
Wellbutrin	depression	350
Zofran	anti-emetic	320

Source: NatWest Markets

The men behind the merger

Sir Richard Sykes
Chairman
Glaxo Wellcome

Glaxo Wellcome's chairman Sir Richard Sykes, 55, is a wiry Yorkshireman who has never hidden his desire to run the world's biggest pharmaceuticals company. That ambition was fulfilled three years ago with a takeover of UK rival Wellcome, but since then Merck of the US and Novartis of Switzerland have overtaken Glaxo.
As executive chairman of the new company, he would probably concentrate on the non-US parts of the business.

Jan Leschly
Chairman
SmithKline Beecham

SmithKline's chief executive Jan Leschly, 57, is a former Wimbledon tennis quarter finalist who switched to pharmacy when he realised he would not make it to the top of the sport.
Has said there would be another phase in his life after SmithKline but before retirement, and this could be it.
He has been running SmithKline largely from the US and is likely to lead the US side of the new company.

Dr Jean-Pierre Garnier
Chief operating officer
SmithKline Beecham

SmithKline's chief operating officer is Jean-Pierre "J-P" Garnier, 50. A Frenchman who has spent much of his working life in the US, JP is the most likely board member to be considering his options.
He has been chief executive-in-waiting for several years, but with an executive chairman only five years older than him, he may be tempted by top jobs coming up at Chicago's Abbott Laboratories and New Jersey's American Home Products.

Robert Ingram
CEO
Glaxo Wellcome

Robert Ingram, 55, has been Glaxo's chief executive only since October following the abrupt departure of chief-executive-elect Sean Lance.
An avuncular American formerly in charge of Glaxo's US operations, he may also consider seeking to reclaim the chief executive job title elsewhere in the industry.

John Coombe
Executive director
Glaxo Wellcome

John Coombe, 52, is Glaxo's finance director and almost certain to take that role in the new company. Always the junior partner to Sykes at the company's annual results presentations, he is a veteran of 12 years at the company, the last five on the board.
A Londoner, he is a numbers man with apparently no ambitions to be a chief executive.

■ **JOBS**

Unions voice fears over cuts

Union leaders in the UK representing staff at Glaxo Wellcome and SmithKline Beecham intend to lobby both the UK government and the European Commission over the implications of the proposed merger for future competition in the global pharmaceutical industry, writes Robert Taylor, Employment Editor.

They fear the move could cost up to 10,000 jobs worldwide, with 2,000 positions being lost in the UK, mainly as a result of economies of scale. The companies said yesterday the size of redundancies remained "pure speculation" and it was too early to say how many employees would have to go.

Roger Lyons, general secretary of Msf, the UK technicians' union, said yesterday he was particularly concerned about the likely decline in the number of skilled scientists in the UK.

"These two companies are the largest employers of scientific graduate labour in the UK and we do not see how it will help increase the country's scientific base," he added.

Mr Lyons has written to Margaret Beckett, the trade and industry secretary, asking her to consider the implications of the proposed merger for scientific employment.

He feared that jobs would go among headquarters staff, with the probable closure of Smithkline Beecham's offices at Brentford, west London, as well as marketing and sales. The Msf union will be holding meetings at Smithkline Beecham's operations in Worthing, Sussex, tomorrow, followed by discussions at the company's Harlow research laboratories as well as Glaxo's research centre at Stevenage.

Mr Lyons said his main concern was to enter into consultation with both companies. He added that under both UK and EU employment law, they are required to negotiate with the trade unions over any job losses or plant closures. However, he added that unions were not in a "mood of confrontation".

Concern at the lack of consultation with employees was voiced last night by Vic Thorpe, general secretary of the Brussels-based International Federation of Chemical, Energy, Mine and General Workers unions (ICEM). "The planned merger has taken us by surprise and there was no prior consultation," he said. "This shows the need for workers to link up in corporations engaged in long-term planning exercises."

Mr Thorpe added that his organisation, which represents pharmaceutical workers around the world, was also concerned that UK and EU consultation laws were "not working" because they were "insufficient to deal with a multinational merger like this one".

■ **IMPACT ON AHP** - By Tracy Corrigan in New York

Jilted bride may attract other potential partners

American Home Products' share price is expected to open lower in New York today amid disappointment that its talks with SmithKline Beecham have been called off, analysts said yesterday.

AHP's shares had rallied nearly 15 per cent last week to close on Friday at $95 1/16, after it emerged that the company was in talks with SmithKline.

However, analysts said that after an initial correction, the share price should be well supported. "Now that we know the company wants to merge or do something sooner rather than later, I think a lot of people will take this opportunity to get into the stock," said Mariola Haggar, pharmaceuticals analyst at Deutsche Morgan Grenfell.

The stock fell sharply late last year, after the company withdrew its anti-obesity drugs Redux and Pondimin following evidence that they cause heart valve defects. The company now faces litigation and, potentially, legal liabilities totalling as much as $4bn, according to estimates.

Fears that these potential liabilities blocked the progress of the SmithKline talks – and may jeopardise any future deal – could further hurt AHP's share price. Hemant Shah, an analyst at pharmaceuticals specialist HKS, believes it will be extremely difficult to do any deal until the potential liabilities have been quantified and capped.

The need to dilute its potential liabilities may be one factor behind AHP's inclination to find a merger partner. But analysts say it is not the only one. They add that the need to secure the management succession, and the increasing difficulty all pharmaceutical companies face in producing strong earnings growth while maintaining heavy investment in research and development, may be equally important issues.

Mid-market groups such as Schering-Plough, Astra and Zeneca would be obvious beneficiaries of a deal with AHP

Although AHP has a less than glowing reputation for innovative research, analysts say that its R&D has improved in recent years and the company now has what Ms Haggar calls "one of the broadest pipelines" in the industry, with about 60 drugs. However, although several drugs are due to be launched this year and next, a substantial impact on earnings, as these drugs gain market share, will not be felt for some time.

Among drugs due to be launched this year are Sonata, a sleeping pill which offers faster action and fewer side effects than competitors, and Neumega, a blood platelet treatment. Analysts estimate that these could have sales of $500m and $300m in three to five years time. A hypertension drug, also due to be launched this year, will be in a bigger but highly competitive segment of the market.

None of these products are expected to be blockbusters. However, two drugs that are likely to be launched next year may be, according to analysts. A vaccine for middle ear infection in children – the first of its kind – could gain sales of about $1bn, while Enbrel, an arthritis treatment, is expected to win a market of more than $500m.

Despite AHP's much-improved pipeline, however, Ms Haggar cautions: "The only difference between AHP and an industry leader is that Merck or Pfizer have a demonstrated record of being able to commercialise and convert [discoveries] into multi-billion dollar products." Although it has done so in the case of Premarin, AHP does not have a comparable record.

According to analysts, the broad array of AHP's businesses means that it would fit well with many potential suitors.

However, given the latest move at the top of the pharmaceuticals league, mid-market players – such as Schering-Plough in the US, and Astra and Zeneca in Europe – would be obvious beneficiaries of a deal with AHP.

Certainly, the sudden demise of its talks with SmithKline leaves AHP in a somewhat awkward position. Other pharmaceutical companies may now view the company as being in play, and AHP may have to act rapidly if it is to keep control of its own destiny.

PW and Coopers put the case for globalisation

The two firms say that they have had to merge in order to remain competitive, writes **Jim Kelly**

In a Manhattan hotel the leaders of "Newco" – the codename for what could be the world's biggest professional services firm – have just had their first shadow board meeting.

While regulators in Washington and Brussels consider whether to allow Price Waterhouse and Coopers & Lybrand to merge, their leaders are permitted to meet and talk strategy.

Rumour has it that Nick Moore, the Coopers' man who will be chairman, and Jim Schiro, the PW man who will be chief executive, are "chalk and cheese", and perhaps uneasy partners.

But sitting together during a break in the talks they look happy enough. Mr Moore – often described as shy and retiring – is in the mood to match Mr Schiro's enthusiasm.

The big target is the opposition. "We think the merits of our submission far outweigh those of KPMG and Ernst & Young. We don't trigger the indices but the other merger has a higher potential to do that."

There is no doubt the KPMG-Ernst & Young merger, announced two weeks after their own, has upset the men who masterminded the surprise combination of the smallest of the so-called Big Six firms. Now they seem intent on exposing what they see as a cheap spoiler by the opposition.

"Some 8,500 partners around the world cast a vote on our merger – 85 per cent around the world said yes. Contrast that with an expression of intent to merge on the part of the other deal. They had a vote in the US. The rest of the partners have not spoken and they haven't created a global network," says Mr Moore.

Mr Schiro takes up the theme, portraying the PW-Coopers merger as an attempt to keep up with the big boys in the profession. "We find ourselves as the two smaller firms looking at having to compete with, say, E&Y – on its own an $8bn organisation that can outspend you and use predatory recruiting practices to get your people – and it can only get worse."

Looking up: Jim Schiro (left) of Price Waterhouse and Nick Moore of Coopers & Lybrand

Mr Moore and Mr Schiro argue that they have had to merge to remain a competitor. "What we have done, what we want to do, is put another competitor into the future," says Mr Schiro.

Mr Moore also cites the Asian financial crisis as supporting his case that the PW-Coopers merger is about creating a single global organisation capable of imposing high standards of auditing and assurance around the globe. He contrasts that with what he sees as a loose structure planned by KPMG and E&Y.

"We believe we provide a quality service everywhere now. However, the requirements of the market place are accelerating. What's different about this merger is that we are putting together an integrated structure worldwide. We believe in terms of audit quality we can drive that through much more effectively than others can."

He claims that his merger is based on a "shared economic interest" between all partners – in other words every partner is under pressure to act in the best interests of the global client. National practices will have far less importance.

"We will operate on the basis of one economic decision – not several. That really is a risk management device that is second to none. But [the others] are not going to have a shared economic interest. They are not going to have an integrated management structure, despite what they might say. We are looking for global behaviour on the part of all partners – although that doesn't mean that if people aren't performing at a local level there won't be accountability."

In a clear swipe at the opposition he adds: "You can't run a $15bn business as a federation – you can't control quality the way we will be able to control quality."

KPMG and E&Y have portrayed their merger as being European-led – a tactic they hope will appeal to Brussels regulators. In contrast, they have painted the PW-Coopers merger as prompted by weakness in the US – and consequently led from New York. Mr Schiro is dismissive. He says only 40,000 of the new firm's workforce, of a total 185,000, will be in the US. "You don't run any organisation by having a dominance of one side over another."

Jobs to go in AST shake-up

By Paul Taylor

AST, the troubled personal computer group acquired by Samsung last September, announced yesterday that it is withdrawing from the European market for desktop computer and server machines, ending its ambitions to become one of the world's leading PC manufacturers.

The company, which intends to focus instead on the market for portable notebook PCs, said the restructuring will lead to its European workforce being cut by 50 per cent over the next two months. The staff at AST's European headquarters in London are being cut by 60 per cent, to 28.

The restructuring follows the announcement in December that AST Research, the group's US subsidiary, in the retail market, was making 1,120 people redundant and would limit its activities to specific regional markets and customers such as small businesses.

The European company also confirmed that it will be moving from its current manufacturing plant in Limerick, Ireland, which employs 430 people, to a smaller facility in the same area. The smaller factory will employ 135 people.

Rod Rodericks, senior vice-president of AST Europe, said: "AST has made it clear that it needs to take aggressive action to drive its return to profit. As part of that strategy it has been necessary for AST Europe to focus on its most profitable area of business."

Samsung Electronics, the flagship of the South Korean conglomerate, purchased the 51 per cent of AST which it did not already own last year for $469m. Some estimates suggest Samsung has put at least $700m into the ailing PC maker, whose market share has slipped steadily since 1994.

AST was once regarded as a challenger to Compaq in the PC business, but its market share has fallen from 3.9 per cent in 1994 to 2.4 per cent in 1996, according to Dataquest.

Gold Fields moves towards independence

By Mark Ashurst in Johannesburg

Gold Fields, the new South African gold company which combines the gold interests of Gencor and Gold Fields of South Africa, will be listed today on the Johannesburg Stock Exchange.

The listing is widely expected to culminate in the disappearance of both Gencor and GFSA, two giants of the country's mining industry. The new company could be merged later this year with an international mining group, which analysts have speculated will be the Toronto-listed Placer Dome.

Brian Gilbertson, Gencor chairman, who will head the new company for nine months before moving to London to run Billiton, the base metals group, said Gold Fields would dispose of its marginal mines. Both parent companies, Gencor and GFSA, could then be unbundled and Gold Fields shares distributed to shareholders.

"My task here will not be done until Gold Fields is an independent, autonomous company which is not surrounded by a spider's web of cross-holdings. There will be no more controlling blocks. We will look like a normal international company," Mr Gilbertson said in an interview.

The gold merger follows the unbundling of Gencor's non-metals interests in 1994 and the demerger in June last year of its base metals interests to form Billiton. Anglo American, the world's biggest gold producer and Gold Fields' principal rival, also plans to consolidate its gold interests into a new company, Anglogold, by June.

The new structures will incorporate operating mines, exploration prospects, mineral rights and international holdings in a single corporate structure modelled on North American producers.

The changes, which are intended to rescue the traditionally low ratings of South African mining houses, are critical to ensuring a long-term future for the country's troubled gold industry.

However, prospects for Gold Fields have been depressed by the slump in the gold price since the listing was announced in October. Estimates of the company's market capitalisation have fallen from about R12bn, based on the listing price of R50 per share, to about R8bn ($1.62bn).

George Lequime, gold fund manager at Old Mutual, South Africa's largest equity investor, forecast Gold Fields shares would change hands at about R33 a share.

"Gencor has not been a great performer at operational level [and] there is a perception that Gold Fields is really very far behind the times," he said. "There is a lot of scepticism about what Brian [Gilbertson] can do."

The first task for the new company will be to dispose of marginal mines and those unlikely to achieve production costs below $250 an ounce. This will leave Gencor's Beatrix mine in the Southern Free State and GFSA's Kloof mines as wholly-owned subsidiaries of the new company.

Gold Fields also holds 70 per cent of Tarkwa, a developing surface mine in Ghana, and 37.3 per cent of Driefontein, one of South Africa's most sought-after gold deposits on the western perimeter of the Witwatersrand gold basin.

Analysts have described Driefontein, in which both Gold Fields and Anglo are minority shareholders, as "the turnround opportunity of the century".

Whirlpool sticks to its global guns

The domestic appliance group is persevering with its international plans

Globalisation is rarely simple – and no one knows that better than Whirlpool. In announcing its 1997 results next week, the US's biggest domestic appliance company is expected to provide little to cheer investors who have suffered from bad news related to the company's foray into Europe, Asia and South America.

Although net earnings for the year are expected to climb 35 per cent from $175m in 1996 to about $240m, this still looks meagre compared with the $271m the company showed in 1993. Since late 1995, Whirlpool's share price has underperformed the rest of Wall Street by more than 30 per cent.

"The strategy has been a failure," says Scott Graham, analyst at the CIBC Oppenheimer investment bank. "Whirlpool went in big [into overseas markets] and investors have paid for it."

However, David Whitwam, Whirlpool chairman and chief executive, insists the globalisation is still on track, and attributes the recent performance to temporary problems in the newer regions of activity. "We're coming through the challenges," he says.

The globalisation process was hatched in the late 1980s, about the time Mr Whitwam, who has been with the company 30 years, was promoted to the top job in 1987.

The company – which with Electrolux of Sweden is one of the world's biggest two white goods makers – hoped to use its number one position in US white goods as a springboard for worldwide expansion. The US provides about two-thirds of Whirlpool's $8.5bn a year sales.

It kicked off a $3bn investment programme in Europe with the two-stage purchase between 1989 and 1991 of the white goods arm of Philips, the Dutch electronics company, adding a series of plants and marketing ventures in India, China and Brazil.

Whirlpool initiated a big effort to promote its brand name worldwide, along with an ambitious strategy aimed at cutting costs of new products.

Mr Whitwam says the European difficulties centred on excess industry capacity in the face of stagnant consumer demand. Material and labour costs rose – problems magnified by Whirlpool's large number of Italian plants, which were made less competitive as the lira rose against other European currencies in the mid-1990s.

The result was severely squeezed margins. While in 1993 operating margins on the European business were around 7 per cent, in 1996 the division slid into a $18m loss on sales of $2.5bn.

Still, Mr Whitwam points to a slow improvement in

results from Europe over the past year and says operating margins are now "halfway back" to the 7 per cent level. To go beyond that, he says, the economics of the business need to change.

That explained Whirlpool's announcement in September that it was cutting about 4,700 jobs, roughly a 10th of its workforce, with a large number expected in Europe.

Ultimately, the Whirlpool chief believes the company could see repeated in Europe the 11 per cent margins it enjoys on its core US business, assuming some reduction in overall industry capacity in the region and an improved economic climate there.

Asia is something of the same story, with too many manufacturers chasing the new-found – and now somewhat precarious – expansion in consumer wealth.

Having withdrawn from two Chinese joint ventures last year, Whirlpool is left with two plants in China and three in India, one an $80m investment in Faridabad to make refrigerators.

Mr Whitwam admits he was surprised by the amount of competition in Asia from rival manufacturers. As a result, Whirlpool has been unable to "get the kind of profit performance that business required", he says. In 1996, the company lost $70m on sales of $461m in Asia, and the figure for 1997 is expected to be little better.

He concedes that "the economic and currency turmoil isn't helping us" but he says India and China, which have avoided the worst of the current turmoil, account for 70 per cent of Whirlpool's Asian sales.

The company also has high hopes for South America. Last year, it paid $317m to double its voting interest in Brazil's Brasmotor group – which controls the leading appliance maker in Latin America and an important compressor manufacturer – to 66 per cent. However, last month Whirlpool took tough action, announcing the loss of up to 3,300 jobs in the region, some 25 per cent of the workforce.

Despite the problems, Whirlpool believes globalisation could ultimately bring huge benefits in the form of a $200m annual saving in design and component costs and a 30 per cent increase in the productivity of its 2,000-strong product development team. But given Whirlpool's poor showing in the earlier phases of its globalisation plan, it still has to convince the sceptics that this part of the project will work out.

Peter Marsh and Nikki Tait

Lazard appoints Italian to board

By Andrew Jack in Paris

Lazard, the merchant banking group based in Paris, London and New York, has appointed an Italian financier to its board in a move that could trigger a shake-up in Italy and elsewhere in Europe.

Gerardo Braggiotti, 45, former secretary general of the Italian Mediobanca group, will take charge of Lazard's European corporate finance activities outside France and the UK.

The nomination could have particularly important ramifications for Lazard's presence in Italy, where its close links with Mediobanca over the years could now come under threat.

It represents an attempt to boost Lazard's relative European weakness outside its core Paris and London markets, and bolsters the firm's ageing top level management with an influential younger partner.

Mr Braggiotti, long tipped as part of the "new guard" and future head of Mediobanca, was fired from the Milan-based bank late last year after conflicts with other senior executives.

Lazard has developed close relations with Mediobanca in the past. One of its most senior partners, Antoine Bernheim, is also a senior partner with Mediobanca and chairman of Generali, the insurance group.

Michel David-Weill, managing partner of Lazard, played down suggestions that the appointment could lead to tensions with Mediobanca. He said the firms would continue to work together, while denying any talks were under way.

However, he said "we are open to competition or collaboration", and stressed Italy was one of the markets Lazard hoped to develop.

He said Mr Braggiotti would have overall responsibility for its offices in Italy, Germany and Sweden, and would help fulfil Lazard's objective to develop more deals between companies outside the UK and France.

This is the first time Lazard has appointed such a senior executive to take charge of developing operations outside these two core European markets, at a time when the firm is coming under increasing competition from US and other rival investment banks.

Mr David-Weill also said Mr Braggiotti would be one of few individuals to hold top positions in so many of the firm's divisions: Lazard Frères, Lazard Brothers and Lazard Partners.

He said the appointment reflected the shift towards a more collegiate style of management by which the firm was likely to be governed, and played down suggestions that there would be a single successor when he chose to step down.

Daewoo in talks with General Motors

By John Burton in Seoul

Daewoo said it was discussing "a broader relationship" with General Motors, but denied local reports that the US carmaker would take a 50 per cent stake in South Korea's second biggest car company.

Chosun Ilbo, a leading Korean newspaper, claimed GM was preparing to acquire half of Daewoo Motors for Won500bn ($330m), although Daewoo would retain managerial rights.

Daewoo did not deny the two carmakers might soon announce an agreement in principle to co-operate but it said details on what form the partnership would take were subject to further negotiations.

Daewoo has sought capital from foreign investors after acquiring Ssangyong Motors, a domestic competitor, in December by assuming half the carmaker's debts of Won3,400bn.

The Ssangyong deal increased Daewoo Motor's large debt burden, which stood at Won4,500bn, or nearly six times equity, at the end of 1996.

Daewoo suggested it would offer its domestic distribution network and car plants to foreign companies seeking entry into Korea's protected car market.

Analysts believe GM might also be interested in using Daewoo's car plants in eastern Europe to increase its market share there.

Daewoo has expanded dramatically in the region in recent years, buying or establishing vehicle operations in the countries of the former communist bloc.

Daewoo and GM had a 15-year joint venture in Korea that ended in 1992 as they argued over sales strategy, overseas markets and investment decisions. They have since competed in eastern Europe, with Daewoo outbidding GM to take over Polish carmaker FSO in 1996 for $1.1bn.

Buyers line up for Peregrine units

By John Ridding in Hong Kong

The sale of the equities operations of Peregrine is expected to be announced in the next few days, with Banco Santander and Banque National de Paris (BNP) poised to split businesses belonging to the collapsed Hong Kong investment bank.

"All being well, we will have the announcement on Monday," said a banker involved in the negotiations. "We should have completed the final signing."

Under the terms of the proposed deal, Banco Santander is set to acquire Peregrine's operations in Singapore, London and New York. The Spanish bank may also acquire some of Peregrine's Hong Kong licences.

BNP would acquire the Greater China operations of Peregrine and would retain Francis Leung, co-founder and managing director of the Hong Kong investment bank. Mr Leung is credited with building Peregrine's franchise in mainland equity issues and corporate finance.

While Banco Santander is expected to take between 150 and 200 Peregrine staff in Asia, and BNP is thought to be interested in about 140 employees, the deals will involve substantial job losses at Peregrine. Its core equity brokerage and corporate finance divisions employed more than 1,000 staff before the group's failure.

The company filed for liquidation last month after Zurich Group of Switzerland pulled out of a $200m capital injection. Faced with substantial exposure to troubled companies in the region, particularly in Indonesia, Peregrine was unable to raise the funds for survival.

For Banco Santander, the proposed deal marks an expansion into Asian investment banking.

BNP is expected to use Peregrine's Greater China team to strengthen its Prim-East regional investment banking presence.

Apart from the core equities division, liquidators are seeking buyers for Peregrine's asset management arm. The company's property subsidiary, Kwong Sang Hong, has already been sold. Last week, Chinese Estates Holdings said its Power Jade subsidiary would pay HK$736m for the business.

Flemings to buy Brazilian bank

By Geoff Dyer in São Paulo

Flemings will today announce the purchase of Banco Graphus, a Brazilian investment bank, in the latest expansion of the UK investment banking group's emerging markets activities.

The move follows a series of acquisitions by international investment banks in Brazil, prompted by its growing markets for corporate advisory work, asset management and equity trading.

Last week NationsBank of the US bought a controlling stake in Banco Liberal for US$50m in its first foreign acquisition. Flemings is understood to be paying slightly less than this for 75 per cent of Banco Graphus.

Lawrence Banks, deputy chairman, said Flemings wanted to expand in Brazil because it had the third largest stockmarket of an emerging economy and because of recent economic reforms, which have brought inflation under control. "Brazil is now on the way to becoming a seriously interesting developing economy," he said.

Flemings started its own business in Brazil three years ago in São Paulo, which will be merged with Graphus to form Banco Fleming Graphus. Graphus management will keep a 25 per cent stake and Murillo Braga de Carvalho, the chairman of Graphus, will become president.

Graphus, based in Rio de Janeiro, began as a brokerage but has built up a reputation in privatisation work. It advised the Brazilian government on the sales of Banco Meridional and CVRD, the mining group, and is working on the sales of Furnas and Eletrosul, the electricity generation companies. It also has a small asset management business.

"The acquisition gives us a presence we could not build up very quickly on our own," said Mr Banks.

While large US investment banks have invested heavily in Brazil over the past three years to build up their own operations organically, a number of others have chosen to acquire smaller Brazilian banks.

Mondadori to launch three-year plan

By Paul Betts in Milan

Mondadori, Italy's leading publishing group, has launched a three-year strategic development plan under which it hopes to create a network of international partnerships and joint ventures.

Maurizio Costa, who took over as chief executive a year ago after a boardroom shake-out, will unveil the plan in a roadshow this week in the UK and the US.

The initiative comes after 12 months of internal restructuring at Mondadori which Mr Costa said was now bearing fruit.

"After being silent for a year, we felt the time was now ripe to renew our relationships with the financial community and our investors," he said in an interview with the FT.

Mondadori's board has also approved the payment of an extraordinary dividend of L740 for ordinary shares and L760 for non-voting savings shares for a total payout of L95bn ($52.7m).

Mr Costa took over at Mondadori last February during a period of management turmoil following the sudden resignation of Paolo Forlin, the chief executive.

The publishing group is 47.5 per cent owned by Fininvest, the holding company of former prime minister and media tycoon Silvio Berlusconi.

Mr Forlin had been brought in from the European operations of the Scott Kimberley Clark paper group of the US only six months earlier, when Franco Tato, his predecessor, left to become chief executive of Enel, the state electricity utility.

Mr Costa said the internal restructuring was now complete, with the company focused on its core publishing activities reorganised in new business units.

Its advertising operations, which suffered a slump in the first half of last year, had also been restructured and were now performing strongly.

Mondadori expected to report higher profits for 1997 than the L56bn net profit of 1996, even without including the special gain from last year's disposal of the company's interest in an information directory venture.

Since 1994, when Mondadori reported net profits of L90.2bn, earnings have been declining. The company aims to increase its return on equity from 5.5 per cent in 1996 to around 10 per cent over the next three years.

Revenues would also show an increase in 1997 over the previous year's L2,194.7bn and the target was to see them grow to around L3,000bn in the next three years.

At the end of last year, the company saw its cash resources rise to L270bn from L157.6bn at the end of 1996. Mr Costa also said Mondadori had about L900bn in available credit lines from the banking system.

This solid financial position meant the company had no need to seek a significant financial partner at this stage. "We are not looking for a big financial alliance but rather to develop a network of alliances and joint ventures to expand our international activities," Mr Costa said.

Although market leader in Italy in most of the country's publishing sectors, Mondadori has had a modest international presence. It has some joint ventures with international publishers, such as Bertlesmann of Germany and Harlequin of Canada, but Mr Costa now wants to expand and has his eye on the Spanish and Latin American markets as well as eastern Europe.

LEX COMMENT

Drug highs

Splicing together Glaxo Wellcome and SmithKline Beecham will create a powerhouse, the likes of which the pharmaceutical industry has not seen before. The combined company will have a market capitalisation of more than £100bn ($165bn), combined sales approaching £20bn and an annual research budget of around £2bn.

At first glance, the division of spoils looks fair. The 59½ per cent of the enlarged cake going to Glaxo shareholders is almost exactly in line with current market values. In the boardroom, Glaxo is getting three of five executive directors, with its Sir Richard Sykes as chairman and SmithKline's Jan Leschly becoming chief executive. That the two know each other well is a good sign. And while this is not a cost-cutting deal on the lines of Glaxo and Wellcome in 1995, annual savings should still comfortably reach £1bn.

This really is a merger of the strong with the strong. Both companies are growing at an underlying rate of 14 to 15 per cent a year – excluding the patent expiry of Glaxo's Zantac anti-ulcer drug; both have full research pipelines; and well-regarded management. That they have decided to get together nonetheless, underscores the industry's rapid change – with huge improvements in R&D productivity in prospect for those with the financial muscle to invest in new technologies. As far as the rest of the industry is concerned, all bets are off. If two companies of this size are merging, even the largest of their rivals will have to reassess their independence.

INTERNATIONAL NEWS DIGEST

Expansion for Sons of Gwalia

Sons of Gwalia, one of Australia's biggest gold producers, is to absorb its associate Gwalia Consolidated, a diversified mining company. The companies said both sets of shareholders should benefit because SoG will be a "larger company with a stronger and more diversified asset base". If shareholders approve, the combined group will have annual revenues of about A$400m (US$274m), its balance sheet will include A$120m of bank debt, A$8m of non-recourse project debt and cash of A$25m.

If the deal is completed, Cabot Corporation of the US, one of GC's big customers and one of the world's largest tantalum processors, will take a placement of 7.5m SoG shares at A$4 each, raising A$30m. At present SoG owns about 20 per cent of GC and GC owns roughly 17.5 per cent of SoG. GC will distribute its SoG shares to its shareholders (except SoG) plus A$6m funded from the share premium reserve. GC shareholders (except SoG) will receive two SoG shares plus 70 cents cash for the cancellation of every seven GC shares. *Kenneth Gooding*

■ GERMAN PAY-TV DEAL

EC extends anti-trust probe

The European Commission is to extend its anti-trust investigation into Deutsche Telekom's participation in a German digital pay-TV deal between Bertelsmann and Kirch, the German media groups. The probe relates to the participation by Deutsche Telekom in BetaResearch, a digital television technology company owned by Kirch.

The Commission is particularly concerned at the acquisition by Telekom of the rights to technology developed by BetaResearch to carry digital pay TV programmes to German homes. Under the terms of the deal between the three partners Telekom will create a technical platform for the distribution of digital pay-TV using its cable networks. It will also develop technical services for the same purpose using set-top decoders developed by Kirch.

Brussels has already opened a full investigation into the separate agreement between Kirch and Bertelsmann that pools their pay-TV businesses, because of fears the deal will create a monopoly in Germany's emerging pay-TV market. A final decision on both investigations will come after four months. *Emma Tucker, Brussels*

■ EUROPEAN FORESTRY

Stora warns on Asia

Stora of Sweden joined the string of European and North American forestry companies predicting that turbulence in Asia would adversely affect operations this year. Reporting flat full-year profits for 1997, Lars-Ake Helgesson, Stora chief executive, said orders of fine paper in Hong Kong and Singapore had fallen, while economic weakness in Asia-Pacific was forcing wood pulp prices downward. Although prices for some paper grades were rising, events in Asia made it difficult to predict overall price developments for forest products in 1998.

Stora's pre-tax profits were SKr2.38bn ($293m), against SKr2.34bn, as fourth-quarter earnings failed to match forecasts. Fourth-quarter pre-tax profits rose from SKr427m to SKr629m. Analysts had expected about SKr900m.

Stora said the performance reflected lower exports of pulp, paper and board to Asia. A fourth-quarter loss in board and packaging paper was attributed to production transfers and a claim relating to the start-up of a mill.

European markets improved in 1997, Stora said, helped by the strong US dollar, which prompted higher exports from Europe. Favourable exchange rates added SKr1.05bn to pre-tax profits. Earnings per share advanced from SKr4.85 to SKr4.90 and the dividend was held at SKr3.75. *Greg McIvor, Stockholm*

■ INDIAN CELLULAR PHONES

UK's CDC invests $45m

The Commonwealth Development Corporation, the UK development finance institution, has invested $45m in BPL Cellular Holdings, the Indian cellular telephone operator, taking a 4.6 per cent stake in the private Indian group. CDC said the investment was aimed at helping BPL expand newly established cellphone operations in Bombay, and the west and southern Indian states of Maharashtra, Kerala and Tamil Nadu.

CDC said the investment comprised ordinary shares and mezzanine finance and was designed to help "support the government's commitment to private sector investment in telecoms infrastructure". India has over the past two years awarded private licences for both cellular and fixed line services, introducing direct competition with state-owned providers. *Mark Nicholson, New Delhi*

■ DUTCH SOFTWARE

Baan sees fast expansion

Baan, the Dutch business software group, should expand even faster than its ebullient market in the coming years by mounting an offensive in the segment for small companies, the group said.

Baan reported that net profits last year had soared by 111 per cent to $77.2m, with revenues reaching $684m, up 65 per cent. Jan Baan, chairman, said the company had increased its market share to some 13 per cent last year at the expense of its leading competitor, SAP of Germany. In the coming years Baan should continue to outpace the growth of the market, even though this is expected to expand by an annual 45 to 50 per cent, he added.

The global market for corporate software was estimated at nearly $10bn last year and it could rocket to roughly $34bn in the next three years, said Mr Baan.

Barbara Smit, Amsterdam

Roadchef sale will raise at least £150m

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Roadchef, the UK motorway service areas operator, is being put up for sale by its private owners for at least £150m ($251m).

Arthur Andersen is expected this week to send out a sales memorandum to prospective buyers, including Granada and Welcome Break, the two largest operators.

Roadchef is the third largest motorway service area operator with a 17 per cent share of the market. Its 12 sites are widely spread with three in Scotland and the rest in England. It has budget hotels on seven sites.

The company was bought out by its management in 1983. Tim Ingram Hill, chairman, is believed to be keen to capitalise on the strong interest shown in Granada's sale of Welcome Break last year.

Granada, which paid £125m for rival Pavilion Services in 1995, acquired Welcome Break as part of its £3.9bn takeover of Forte in 1996. It was obliged to sell the 21-site chain for monopoly reasons.

Investcorp, the Bahrain-based investment group, paid £476m – £100m above market expectations – for Welcome Break, trumping bids from National Express, the coach and bus services group, Asda, the supermarket group, and venture capital groups. The price paid was a multiple of 22 times historic earnings.

Motorway service areas, once a last resort for drivers desperate for petrol or toilets, are increasingly being developed into mini shopping and leisure centres. The introduction of fast-food operations, cafés, pharmacies and travel services are aimed at getting people to spend more time and money in them.

Mr Ingram Hill controls about 60 per cent of Roadchef; the management owns 26 per cent, and employees 5 per cent. Of Roadchef's 1,100 employees, 400 are shareholders after the company became the first in the UK to introduce a US-style employee share ownership plan in 1987. Esops, which are now widespread, enabled Roadchef to spread its share base without weakening overall control.

According to the last set of accounts, Roadchef made operating profits of £7m on turnover of £113m in the year to September 1996.

Revised bid this week for Energy

By Charis Gresser

PacifiCorp, the US utility, is expected to launch a revised bid for the UK's Energy Group later this week, which would be conditional on receiving regulatory clearance.

Analysts expect the company to have to bid between 730p and 770p a share, compared with its original bid last year of 690p.

That bid lapsed when it was referred to the competition authorities on both sides of the Atlantic. At the top end of expectations, Energy Group would be worth some £4bn.

PacifiCorp's hand has been forced by the abrupt arrival of two other potential bidders: Texas Utilities, another US power group, and Nomura International, the European arm of the Japanese investment bank. Neither of these companies has made formal offers.

It is thought that they have yet to conclude their due diligence work on Energy Group, whose assets include Peabody, the largest US coal producer, as well as Eastern Group, one of the biggest regional electricity distributors in Britain.

PacifiCorp is waiting for regulatory clearance for its bid from US regulators. It was given clearance by the UK authorities in December after a referral to the Monopolies and Mergers Commission.

The company has argued that the takeover of Energy Group was a good strategic fit and would enable it to emerge as an international and vertically integrated energy group.

PacifiCorp's original bid was recommended by the Energy Group board.

Both Nomura and Texas Utilities are expected to split the Energy Group in two, however, with the Peabody interests either sold to another party or floated in the US.

Late last week, Nomura attempted to allay fears that its bid would result in excessive levels of gearing.

CWS heads back to roots with divi scheme

By David Blackwell

The Co-operative Wholesale Society is going back to its 19th century roots with the launch today of a dividend scheme worth 5 per cent off its branded goods.

The CWS, which last year fought off a £1.2bn ($2bn) takeover bid organised by Andrew Regan, has reported declining trading profits in the face of intense competition from UK supermarket chains.

The national roll out of a loyalty card is a key part of chief executive Graham Melmoth's plans to bring the co-operative movement back to life.

The pioneers of the movement in Rochdale introduced a dividend in 1844. It became immensely popular, but was replaced with trading stamps which died out in the early 1980s.

The new card relies on the latest point-of-sale technology, which has been installed in more than 600 stores from superstores down to neighbourhood outlets of 1,000 sq ft. The checkout will automatically register the dividend, which can be taken twice a year in cash or vouchers.

The CWS said the saving on its branded goods, which account for 40 per cent of total sales, was more than twice the pay-out of its competitors. In addition, customers could elect to donate some of their saving to community projects.

Trials in Scotland last year attracted 500,000 customers, who earned a total dividend of £5m and contributed £100,000 to community funds.

The card is valid only for CWS businesses, and cannot be used at other co-operative societies or at stores run by Co-operative Retail Services. The CWS, the largest of the 50 UK independent co-operatives, said it expected other societies to be watching the progress of its scheme with interest.

Mr Melmoth in December revealed plans for the loyalty card as part of a strategic review initiated after the Regan bid sent shock waves through the movement.

Many critics of the CWS had agreed with Mr Regan that the organisation's huge assets, which include travel, funeral and other businesses, were not being worked anything like hard enough.

Under the review, Mr Melmoth is seeking to maximise and optimise the synergies between the businesses. Among other measures he wants to rationalise the convoluted retail distribution chain – said to cost £160m a year – and develop closer links between the retail business and the banking and insurance subsidiaries.

Keep smiling through: the Co-op dividend was a lifeline for many struggling families for more than 100 years

Rank divisional head to step down

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Rank Group, the UK entertainment company, is expected to announce today the departure of John Garrett as managing director of its leisure division.

His departure will prompt speculation of a clash with Andrew Teare, chief executive, who is struggling to convince the City of London that he can generate respectable returns from a £1bn ($1.67bn) investment programme and inject life into well-known but tired brands such as Hard Rock Cafés, and Butlins holiday camps.

Rank's shares, which closed at 299¾p on Friday, have underperformed the market by some 40 per cent over the past 12 months.

Mr Garrett, 53, who has been a main board director since 1992, was the only one of four divisional heads to have retained his position once Mr Teare's appointment was announced in November 1995.

Terence North, former managing director of leisure, retired in January 1996. Jim Daly, managing director of the film and television division, took early retirement at the age of 58 in March 1996 and Angus Crichton-Miller, resigned as managing director of the holidays side in July 1996 to prepare an offer for Shearings, Rank's coach holiday business.

Mr Garrett's recreation division, which comprised the group's gaming interests, was renamed leisure after a divisional shake-up to create a Hard Rock division. It also includes the Tom Cobleigh chain of pubs which Mr Garrett is understood to have pushed hard to acquire.

However, the £113m purchase was unpopular with investors who have criticised Mr Teare for overpaying for late entry into an increasingly competitive market.

Quadrant Healthcare placing

By Jonathan Guthrie

Nomura, the securities house, has underwritten half of a £30m ($50m) institutional placing from Quadrant Healthcare, a UK biotechnology company.

It will underwrite the rest of the issue of new shares if demand from investors is good during a two week marketing effort starting today.

The placing will bring the company to the main market with an estimated value of £70m.

Quadrant specialises in using trehalose sugars to preserve biological material.

The company's preliminary prospectus, published last Friday, shows that losses grew 45 per cent to £2.9m in 1997 on sales up 66 per cent at £2m. The shares will be priced on February 19 and dealings will begin on February 26.

Jim Sutcliffe to join Liberty Intl

By Christopher Brown-Humes

Jim Sutcliffe, who quit as head of Prudential's UK operations last year, is to join Liberty International Holdings, the South African-controlled property and financial services group, as executive director and deputy chairman.

Mr Sutcliffe's brief will be to build up Liberty International's fledgling financial services activities through acquisitions, most likely in the UK and US. He resigned abruptly from the Pru, the UK insurance group, last September after disagreements over a business reorganisation. He had been widely seen as a potential successor to Sir Peter Davis, chief executive.

Mr Sutcliffe, 41, said the UK-listed group could raise as much as £2.5bn ($4.2bn) for acquisitions, given its £500m cash resources; low gearing, and the backing of Liberty Life of South Africa, its majority shareholder. The majority of its current activities are in property, including its 72 per cent stake in Capital Shopping Centres, the UK's largest shopping centre specialist.

Its financial operations comprise a specialist pensions company, Liberty International Pensions; a unit trust group; and an offshore international asset management business.

Mr Sutcliffe, whose appointment will be announced today, said no acquisitions were imminent. He will join the company on March 16.

He was with the Pru for 21 years, rising to chief executive of Prudential UK in July 1995. He was closely involved with the Pru's acquisition of Jackson National Life, the US company where he subsequently became chief operating officer, and last year's £3.5bn acquisition of Scottish Amicable.

But he also presided over the Pru's UK arm when it was hit by bad publicity over pensions mis-selling and other salesforce failings. He said he was attracted to Liberty by its entrepreneurial culture and the prospect of working in a small close-knit team.

"The group should be an attractive acquiror because its existing financial services businesses are small and that can give the acquired company more operational freedom," he said.

The move is also something of a return to his South African roots as he was born and educated in the country. He said his salary would be "comparable" with his £315,000 salary at the Pru.

Dunlop Slazenger talks to bankers

By Vincent Boland

Dunlop Slazenger, the UK sporting goods company, has strengthened its management and is in talks with its bankers after operating profits last year fell well below its own expectations.

The company, which was bought out for £372m ($621m) from BTR, the conglomerate, two years ago, is close to breaking banking covenants with its lenders, led by National Westminster Bank, and has been making presentations to the banks on its trading prospects and profits outlook. But it has denied it is talking with the banks about a refinancing package. Operating profit for 1997 were £12.8m against a £23m target because of difficult US trading conditions.

Dunlop Slazenger, which claims to be the world's leading maker of tennis balls, has appointed Philip Parnell, former managing director of European operations for United Distillers, to the post of chief executive. He replaces David Jacobs, who led the buy-out and has left for personal reasons, though he remains a shareholder.

Cinven, the venture capital group that controls Dunlop Slazenger, said talks with a group of about 30 banks had been going on for several weeks. However, the company is understood not to have breached any covenants in relation to capital payments, interest repayments or cash flow.

"There is no requirement for a refinancing and no discussions are going on in that context. It would be wrong to imply a more serious problem than the company being down on its profit forecasts," Cinven said.

The sharp profits fall was due to continued restructuring of Dunlop Slazenger since the buy-out, which involved bringing the sourcing and production of golf balls in-house; the appointment of new operational directors in the US and Europe; and the launch of its new "Revolution" golf ball.

Cinven, widely regarded as the most aggressive private equity investor in the competitive UK market, raised eyebrows when it paid £372m for Dunlop Slazenger in March 1996. Cinven now owns more than 90 per cent of the company; the rest is held by management.

NEWS DIGEST

Hanson close to $670m sale

Hanson, the demerged building materials rump of the former conglomerate, is close to selling its international crane manufacturing and UK property interests for about £400m ($670m).

The group is understood to be in advanced talks to sell its Grove Crane subsidiary for about $600m to US buyers. Hanson is also negotiating to sell its UK commercial property interests to O&H, which is backed by GE Capital, the US investment group.

The property subsidiary, estimated by analysts to be worth more than £40m, is working on a scheme to build a £500m housing development on former clay pits close to Peterborough, Cambridgeshire. Hanson, following its demerger in February 1996, has been selling non-core assets to concentrate on its mainstream building materials businesses mainly based in the UK and US.

The group last year sold its electricals offshoot for £145m to a management team backed by Cinven, the venture capitalists. Last month Hanson announced the break-up and sale of Spectrum, its US building and civil engineering business, which is expected to raise a further $150m.

Hanson, which has a market capitalisation of more than £1.5bn, increased pro-forma operating profits by 19 per cent to £218.3m in the first nine months of last year, helped by strong US and UK construction markets.

Exceptional charges of £58.5m, mainly a £28m loss on the sale of Hanson Electrical and write-downs on Australian mining investments, reduced pro-forma pre-tax profits for the nine months to £131.1m. Comparisons with the previous year were unavailable because of complications caused by last year's four-way demerger and a change in the building materials group's financial year.

Andrew Taylor

Ultra wins £32m order

Ultra Electronics will announce today that it has won its largest order to date for sonabuoys, the listening devices which are dropped into the sea to detect submarine movements.

Ultra has signed a £32m ($53m) contract to supply sonabuoys to the Ministry of Defence over the next five years. Ian Yeoman, finance director, said delivery of the sonabuoys would begin in 2000 following an 18-month development phase. The order is for about 100,000 high instantaneous dynamic range (Hidar) sonabuoys – which are more sensitive than the directional frequency analysis and ranging (Difar) devices also made by Ultra.

"Submarines are getting quieter so you need to improve detection capability," Mr Yeoman said. Sonabuoys are dropped from military aircraft or helicopters, then split into a transmitter on the surface and a sensor which deploys down to the depths.

The Hidar is able to identify different types of submarine, as well as relaying their bearing and position. The order will ensure production at Ultra's Greenford plant in West London until 2003, and involve Hermes Electronics, the Canadian group bought by Ultra last year.

Ultra won an order this year to provide Nimrod aircraft with receivers and processors for the signals transmitted by the sonabuoys, Mr Yeoman said. "It is the first time we have supplied all three parts. That's unique in the world."

Ultra, which also makes landing gear controls and flight control electronics, is currently the world's largest sonabuoy manufacturer. This may change as the US military has resumed orders from Ultra's US rivals after a lull.

Andrew Edgecliffe-Johnson

Strong support for B&B

Bradford & Bingley, the second largest building society, said it had won strong backing for its decision to remain mutual in 400,000 customer replies to a questionnaire.

Customers were asked whether they agreed or disagreed with the statement: "I appreciate the value of long-term benefits provided by a mutual building society as against a one-off windfall from a converting society."

B&B said 71 per cent of customers agreed or strongly agreed with the statement, while 29 per cent disagreed. Some commentators believe posing the question was risky as it could have forced the society to consider conversion if customers had shown a preference for windfalls. B&B said: "This confirms our view that our message about mutuality is getting through. It also confirms that our members are not jumping up and down to change our status"

However, the society is likely to face a further challenge in April when Michael Hardern, a former royal butler and self-proclaimed carpetbagger, stands for election to the board on a pro-conversion ticket. Mr Hardern stood for election to the board of Nationwide, the biggest building society, last year but was resoundingly defeated. B&B said it was still checking to see if the nominations for his board candidacy were valid.

Christopher Brown-Humes

Tup Inns set for Aim

Hugh Corbett, the entrepreneur who started the Slug & Lettuce and Harvey Floorbangers pub chains, is hoping to bring his latest venture to the Alternative Investment Market in the autumn.

He has doubled the size of his Tup Inns chain with the acquisition of four more London pubs for almost £1m ($1.67m). Two more purchases are expected to be completed in June, taking the total to nine. Mr Corbett opened the first Tup Inn in Fulham just under two years ago. Since then sales on the site have quadrupled to more than £1m a year.

Tup Inns are aimed at people in their early 20s before they get tied down by marriage and mortgages. "The secret is to create a unique selling point," says Mr Corbett. "We are really selling atmosphere as the drinks are roughly the same as you can get anywhere else."

While he believes that the pub industry has become a fashion business, he is proud of the longevity of the other brands he has created. Slug & Lettuce was sold to Grosvenor Inns in 1990 and Regent Inns bought Harvey Floorbangers in 1996. Mr Corbett confesses to being a hands-on manager with little taste for managing a chain once it gets up to 10 outlets. He is already embarking on a new venture with a 30 per cent stake in Café Coq, a rotisserie restaurant that will serve free-range chickens sourced from France when it opens in April.

"I wanted to call it the Hard Coq Café – but I was outvoted," he said.

David Blackwell

Insurance plan approved

Creditors of a London market insurance company have approved a plan, said to be the first of its kind in the UK, to settle all outstanding claims with a single one-off payment. The plan required policyholders of a still solvent company, HIR (UK) Limited, to provide estimates for present and future claims against it.

Building on approaches already adopted for returning cash to creditors of insolvent insurers, the so-called "scheme of arrangement" could have repercussions in other areas of London's commercial insurance market, where since 1989 about 100 insurers have ceased to write new business because they felt they might not be able to meet claims years from now.

"Solvent schemes will enable those locked into business sectors they no longer wish to invest in to exit in a managed and efficient way," said Davies Arnold Cooper, a firm of solicitors, which together with Robson Rhodes, the chartered accountants, advised on the scheme. Nearly two-thirds of creditors voted in favour of the plan. HIR (UK), which has debts of more than £200,000, ($334,000) went into run-off eight years ago.

Christopher Adams

BBV to expand in Latin America

By Tom Burns in Bilbao

Banco Bilbao Vizcaya, Spain's largest bank by market capitalisation, says it will continue an ambitious acquisition strategy in Latin America and is willing to consider European alliances to accompany its expansion.

The dual message, delivered to an extraordinary general meeting in Bilbao on Saturday, came as the bank announced record profits and unveiled an aggressive three-year plan to increase its business volume, customer base and shareholder dividends.

"Latin America is now a natural part of our group," said Emilio Ybarra, chairman. He said the bank was eyeing possible purchases in Brazil and Chile to add to a regional banking empire that is strongly entrenched in Argentina, Colombia, Mexico, Peru and Venezuela and represents 22 per cent of the group's assets.

Mr Ybarra said banks in Spain and in Europe are "necessarily destined to undergo a process of consolidation" because greater banking concentration in the EU was required to compete effectively in the coming European monetary union.

"BBV's global franchise in Latin America represents a substantial interchange value for any future agreement with European banks," Mr Ybarra told the bank's shareholders. "We are therefore open to alliances and in a condition to study them."

He said he had not yet received concrete proposals from peer banks in Europe for such an alliance but indicated that he expected them to materialise. "We are talking with our [European] colleagues at a still theoretical level and I am certain that there will be several who are ready to consider proposals with us."

To ward off unwelcome allies, the meeting approved new regulations that tighten the board's control over the bank by limiting the voting rights of equity blocks to 10 per cent and granting the board fundraising instruments should these be suddenly necessary. "I am not aware of anyone breathing down my neck," Mr Ybarra said, countering speculation that BBV was a take-over target for a larger institution.

BBV's invitation to future partners followed a 26.1 per cent rise to Pta130.8bn ($844m) in the group's 1997 attributable net profits, the highest profit ever posted by a domestic bank. The group's Latin American units contributed Pta21.9bn to the net attributable profits and one-off goodwill amortisation, financial costs and special provisioning arising from acquisitions in the region totalled Pta58.6bn.

Consolidated net interest income improved last year by 36.7 per cent to Pta568.1bn and operating profit, fuelled by a strong increase in fee income, was up by 50.4 per cent to Pta334.4bn in spite of a 49.6 per cent rise in general costs to Pta475bn resulting from the group's Latin America acquisitions.

Under a three-year growth programme, BBV plans to increase its income growth and business volume by at least 15 per cent and to lift its return of equity from 18.4 per cent at the end of last year to close to 20 per cent. The group also intends to maintain its large industrial portfolio, which includes core shareholder stakes in Telefónica, Repsol, the energy conglomerate, and energy group Iberdrola

Brazil set to launch eurobond in euros

By Geoff Dyer in São Paulo

Brazil has appointed Paribas and SBC Warburg Dillon Read as lead managers on a planned eurobond issue which would be the country's first international bond issue since the Asian crisis hit Brazilian financial markets in late October.

The Brazilian central bank said a bond would be issued in euros "in the coming weeks", but would not specify the size, maturity or exact date of the issue.

The news comes after Argentina launched a DM1.5bn five-year eurobond last week, one of several successful Argentine issues since the crisis, and Colombia issued a £100m, 10-year bond on Thursday. Both confirmed a more optimistic sentiment among bond investors for Latin American credits.

Brazil, the largest economy in Latin America, has been a regular eurobond issuer since its return to the international markets in 1995. Last June it issued a 20-year L500bn eurobond.

However it has been unable to access the market since the Asian crisis prompted global markets to tumble on October 23 and caused a speculative attack on the Brazilian currency.

A successful return to the international capital markets would be a very positive sign for Brazil, which is running a large current account deficit and needs a substantial inflow of capital this year to maintain confidence in its currency.

It would also provide a boost to the Brazilian corporate sector, which has largely been shut out of international markets since October and which is straining under domestic interest rates of 34 per cent.

The bonds are to be issued in euros, one of the first such issues from an emerging market borrower. All obligations will be in Ecu at one Ecu for one euro until the new European currency is introduced.

UBS derivatives under scrutiny

By Clay Harris, Banking Correspondent

Night had fallen in Zurich on Friday by the time Union Bank of Switzerland came out with a statement that it said "set the record straight" about its derivatives losses in 1997.

UBS's late announcement was intended to staunch speculation about its 1997 results ahead of tomorrow's vote by shareholders on its merger with Swiss Bank Corporation.

It provided some new information – that equities and equity derivatives together had generated earnings of close to SFr1bn ($678m) last year, about 25 per cent down on 1996. But it left in the twilight the issue of specific losses by its derivatives operations that prompted the statement.

Bank chiefs unite: Marcel Ospel, left, of SBC, and Mathis Cabiallavetta, of UBS

What UBS's statement obscured was that the global equities derivatives (GED) management group formerly headed by Ramy Goldstein was responsible for losses of up to SFr650m in 1997.

Mr Goldstein, who ran the London-based derivatives operation, was dismissed in November with four traders.

The SFr650m figure, which has been confirmed by senior sources familiar with the bank's results, does not appear because trading for which GED was responsible is reported in two different parts of the UBS statement, in different ways.

In ordinary equity derivatives, UBS acknowledged that another SFr150m had been lost on top of the SFr200m it had reported for the first half.

It then added that losses had been recorded on proprietary trading positions in Japanese convertible bonds.

Although this activity also came under Mr Goldstein's control, it is reported under equity proprietary trading, which UBS said on Friday had lost SFr100m in the year.

Some news reports represented this number as referring to the Japanese activity alone and concluded that the total derivatives losses added up to "only" SFr450m. However, the SFr100m is a net figure, reaching by setting off the Japanese losses against profits made by the rest of the division.

The Japanese losses exceeded SFr270m, according to sources familiar with the results. UBS said it would not give details about the composition of the results.

By lumping the Japanese convertible bonds losses together with the proprietary equities trading result, UBS obscured the profitable performance of its equities traders who have been fighting for their jobs in the combined organisation. Equities staff did relatively well in this year's fraught bonus round.

An alternative strategy might have been to worry less about saving corporate face and making a clean breast of the situation. After all, the department responsible for the losses has since left UBS, followed by Hans-Peter Bauer, global head of fixed income, currency and derivatives.

But such openness would inevitably have raised questions about the management and risk-control structures that allowed the derivatives losses to get out of band in the first place.

UBS's handling of the issue helps to explain SBC's ability to crack the whip over it in the merger.

Even if the bottom line was a better result than some had feared, the losses undermined UBS's bargaining position. None of this is expected to effect this week's merger votes, but it suggests that sometimes pride persists after a fall.

INTERNATIONAL NEWS DIGEST

Fresh post for Christian Blanc

Christian Blanc, head of Air France until he resigned last year, has been appointed to the supervisory board of Consortium de Réalisation, the organisation set up to sell off assets previously owned by Crédit Lyonnais, the state banking group.

Mr Blanc's appointment means he will be examining the politically sensitive sales of companies including AOM, the French airline, for which Air France, British Airways and others may compete.

The appointment was made by Raymond Lévy, the new chairman of the supervisory board, which was set up by the new government as part of a restructuring of the rescue plan for Credit Lyonnais after criticism of political interference.

Mr Lévy, a former chairman of Usinor and Renault, also sat as a non-executive director on the board of Crédit Lyonnais between 1988 and 1993, during the period of its heady expansion which resulted in losses now estimated to exceed FFr150bn. *Andrew Jack, Paris*

■ US CEREAL MANUFACTURING

Flat fourth quarter at Kellogg

Kellogg, the Michigan-based cereals manufacturer, announced flat fourth quarter profits, disappointing investors. After-tax profits, before unusual items, for the final three months were $158.5m, down by 3 per cent from $163.1m in the same period of 1996. Earnings per share were unchanged at 39 cents, slightly lower than analysts' average predictions, while sales rose 4 per cent to $1.62bn.

The company said that, excluding the impact of exchange rate movements, the sales increase would have been a more impressive 7 per cent. But its shares still lost $2 1/16, to $46 1/16, on the news. For 1997 overall, the results were stronger, with earnings per share rising 11 per cent to $1.70, and after-tax profits gaining 8 per cent, at $704.5m. Sales were 2 per cent higher, at $6.83bn.

However, in the final quarter, Kellogg took non-recurring charges of $125.9m after tax to cover the restructuring moves in Europe and some "asset impairment" charges in Asia-Pacific markets, and a further $18m accounting-related charge. The net result was to reduce bottom-line profits to $546m, only 2.8 per cent higher than the $531m seen in 1996. *Nikki Tait, Chicago*

■ ELECTRICITY

Singapore raises prices

Singapore Power raised electricity prices 5.4 per cent at the weekend, citing higher fuel costs brought about by the depreciation in the city-state's currency. The increase to 15.77 cents per kilowatt hour illustrates how the seven-month-old regional financial crisis is starting to affect Singaporean companies. The state utility said the increase would last until April.

Although Singapore has fared far better than its neighbours, the country's currency has fallen by about 20 per cent against the US dollar since the crisis started to unfold in July. Despite the country's sound economic fundamentals, Singapore leaders have repeatedly warned of tougher times ahead. *Sheila McNulty, Kuala Lumpur*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Mexican group in FCC offer

By Henry Tricks in Mexico City

Empresas Ica, Mexico's largest construction company, has offered to indirectly acquire a stake in its Spanish counterpart, Fomento de Construcciones y Contratos (FCC), continuing a buying spree that has unnerved investors.

The announcement follows speculation that ICA was considering a big purchase abroad. The company is expected to be flush with cash when the government pays it more than $1bn it is owed as part of a bail-out last year to builders of the nation's bankrupt toll roads.

ICA's bid is one of several for the 28 per cent of FCC put up for sale by multi-millionaire Alicia Koplowitz, after she fell out with her sister Esther who owns a similar stake.

Spanish construction companies Dragados and Ferrovial have also made bids for Alicia's stake in FCC, which has interests in construction, urban services, cement and property.

ICA's tender follows its purchase in November of 50 per cent of Argentine builder CPC for $30m. In mid-January it paid $75m for Mexico's privatised warehousing company Almacenadora Sur.

Polish group to issue GDRs

By Kevin Done, East European Correspondent

Exbud, the largest Polish construction group, is seeking to raise between $45m and $50m of new equity capital through an issue of up to 5m shares in the form of global depositary receipts (GDRs).

The issue, which is due to be priced next week following an international roadshow in the US, Europe and Japan, will test investor interest in the Polish equity market.

Prices have begun to stage a modest recovery in recent weeks, after ending 1997 virtually unchanged over the year with a steep fall in the final months under the pressure of the turmoil in Asian markets.

Nomura of Japan is the lead manager of the Exbud issue, with Flemings as co-manager and Paribas Capital Markets as junior co-lead manager. All three banks will make a market on Seaq International for the Exbud GDRs, which will be listed on the Luxembourg stock exchange.

Exbud has a present market capitalisation of around $100m. It was one of the first five Polish companies to be privatised and was one of the first to be listed on the revived Warsaw stock exchange at the start of the 1990s.

It will be the first construction stock from Poland and east Europe to trade in GDR form.

The Polish construction market has started a strong recovery led by commercial and industrial construction, and the sector is expected to expand quickly as a series of large infrastructure projects, most importantly road and rail schemes, create additional demand.

Construction accounted for around 78 per cent of Exbud sales last year, which totalled an estimated 1.2bn zlotys ($343m). Its other main operations are in printing and iron casting, but the group is seeking to divest its non-core activities as it expands in construction, including through acquisitions.

Opel in DM1bn plant rebuild

By Andrew Fisher in Frankfurt

Adam Opel, the German subsidiary of General Motors of the US, plans to rebuild its main plant at Rüsselsheim near Frankfurt at a cost of up to DM1bn ($547m) to improve efficiency and productivity.

Opel will decide this year whether the plant should be completely or partly replaced. It favours a "greenfield" option, in which the 1950s buildings would be pulled down, over a less radical "brownfield" solution.

The difference in investment needed for the two options would be between DM300m and DM400m. Full rebuilding would cost around DM1bn and have a more lasting impact on costs and efficiency. Partial rebuilding would cost less than DM700m

Job losses, already agreed with its workforce, would range between 3,000 and 4,000, with no compulsory redundancies. The sprawling plant employs around 25,000 people. Production at Rüsselsheim would stay at 275,000 vehicles a year.

The decision to rebuild the plant will be made against the background of tougher competition in the European car market, with Opel also under pressure from GM to play a greater role in its worldwide development and expansion plans.

The rebuilding will have to be completed by the time production of the next generation of Vectra family saloons begins at Rüsselsheim in 2001. As part of the job security deal with its employees, Opel has promised to invest some DM750m at the plant.

US IPO for Young & Rubicam

By Alison Smith, Marketing Correspondent

Young & Rubicam, the world's fifth largest advertising group, is set to file papers with the Securities and Exchange Commission, the US financial markets regulator, later this month in preparation for an initial public offering.

The US group and its advisers are working towards a public listing in New York probably in May or June this year.

US analysts believe the entire group could be valued at more than $2bn. The IPO could raise at least $400m, although senior Y&R executives have made it clear that they are not looking to establish a war chest to buy a second string agency for the group.

Even so, the additional money raised would enable the group to acquire extra capabilities through investments in areas such as database marketing and new media.

Y&R itself would not comment on the increasingly focused speculation about its plans.

An IPO would add to the current surge of corporate activity within the advertising sector. Just last week, Omnicom, the US communications group, made a recommended bid for GGT, the London-based ad agency.

Last year's deals included the demerger of Cordiant into Saatchi & Saatchi and Cordiant Communications Group, the organisation based on the Bates network; and the approval by shareholders for the merger between US marketing groups True North Communications and Bozell, Jacobs, Kenyon & Eckhardt.

The Cordiant demerger could itself lead to further acquisitions, as potential buyers such as Interpublic and WPP, two of the world's largest marketing services groups, consider the merits of buying one or other of the separated networks.

Dentsu, the Japanese advertising group, is also thought to be looking to expand through buying additional agencies.

With gross income of $1.35bn in 1996, according to Advertising Age, Y&R was the fifth largest advertising organisation in the world, and had the fastest growth in income compared with 1995 among the top 10.

Its most important global clients include AT&T, Citibank, Colgate-Palmolive, Ericsson, Ford, Kraft Foods and United Airlines.

Y&R Advertising is the biggest element of the group, which also includes public relations company Burson-Marsteller, direct marketing specialists Wunderman Cato Johnson, and design agency Landor Associates.

See marketing page: Men in suits

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Peter Martin

Gold's dwindling sheen as store of value

Why has the gold price recovered a little of its lustre in recent days, clambering back above $300 an ounce in the past week? The answer may tell us something about gold's future as a store of value.

Is the mild run-up in price a response, as some people argue, to renewed fears of instability - the Asian crisis, tensions with Iraq, President Clinton's political upsets? Is it the unwinding of unsustainable speculative attacks on the gold price, as the hedge funds that have so successfully driven the price down paused for breath? Or is it an indication of a possible shift in attitude by the European central banks, whose cooling enthusiasm for the asset and willingness to lend it to speculators – at a price – has until now made it possible for the bears to sell short the gold they have borrowed?

Long-term bulls of gold would probably hope that the first answer is correct: it would indicate that gold retains its historic role as a source of protection in a hostile world. More short-term thinkers might plump for the second view. And gold producers will hope for the third, as they lobby the central banks to make an explicit statement of their attitude towards gold, in hopes of getting the price up to a level that will allow their mines to stay in business.

Each year more gold is consumed – in jewellery, teeth, watch-casings, semiconductor connections and so on – than is mined. But the price is depressed by the loss of gold's role as a hedge against inflation, and the ability of the bears to use the liquidity created by central bank gold leasing to push the price down.

At $300 an ounce, 60 per cent of the world's gold mines are uneconomic. If the price stays down, a big share of the world's gold-mining capacity will close down, temporarily at least, until all the bullion in the hands of willing sellers has been exhausted.

Some central banks – such as those of the Netherlands or Argentina – have sold much or all of their gold. Even the Swiss National Bank has brooded publicly about the possibility of gold sales. Other central banks are happy to continue to hold it as part of their reserves, but prefer to make a modest return on an otherwise unremunerative asset by lending it out.

This newly liquid gold futures market has allowed mining houses to sell their output forward, but it has also made the gold price much more vulnerable to speculative attacks.

These have been intensified by the imminence of European monetary union. A portion of each participating country's reserves will be put under the control of the new European Central Bank. The bank – which does not yet exist – will decide whether it wishes to hold gold only after it has come into existence.

As Dominique Strauss-Kahn, France's finance minister, says, this is tomorrow's problem. Today's problem, for the South Africans in particular, is that the uncertainty over the central banks' intentions has helped push the price down to levels that threaten the livelihood of hundreds of thousands of mineworkers.

Thabo Mbeki, South Africa's executive deputy president, met European central bankers on Saturday at the annual meeting of the World Economic Forum in Davos, Switzerland.

Before the meeting, Mr Mbeki acknowledged that the future ECB members were not in a position to reach a decision on gold. "They say: 'Yes, we understand your concern, but we haven't got round to it yet,'" he said.

The ECB's eventual attitude is only part of the problem, however. Most gold will remain in the hands of the various national governments – especially Germany, France and Italy. This is why the big South African mining houses would like European central banks to make an explicit statement of their attitude towards gold.

If that involves further sales of reserves, at least the worst would be known – and the two sides could devise mechanisms for allowing orderly disposals in a way that protected the interests of the central banks as well as those of the producers.

If the central banks send the signals for which the producers are asking, a short-term bull case for gold can be made. The longer-term outlook is less attractive, however.

The central question is whether the Great Inflation of the past half-century is over. Answering yes to that question means that gold's role as a store of value has permanently dwindled in importance, at least in countries with well-developed financial systems.

From time to time, as speculative pressures ease or political tensions rise, gold will enjoy a brief glittering moment. But until the fear of generalised inflation returns, gold's glory days are over.

Total return in local currency to 29/01/98

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.07	0.07	0.12	0.14
Month	0.50	0.06	0.31	0.30	0.51	0.63
12 months	5.96	0.56	3.24	3.38	6.63	6.81
Bonds 3-5 year						
Week	-0.08	-0.56	0.33	0.27	0.12	0.17
Month	1.61	-0.53	1.46	1.30	0.82	1.43
12 months	9.81	2.43	5.31	4.78	11.65	9.63
Bonds 7-10 year						
Week	-0.01	-0.62	0.39	0.34	0.13	-0.06
Month	2.00	-0.96	2.77	2.12	1.82	2.00
12 months	12.85	6.56	12.02	9.43	21.62	15.44
Equities						
Week	2.3	3.3	4.5	3.9	1.6	2.9
Month	3.4	11.0	5.1	6.7	11.5	5.6
12 months	29.9	-2.3	42.5	28.9	58.0	29.6

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Excel Index Link. The FT/S&P Actuaries World Indices are jointly owned by FTSE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

BAA traffic unsettled by Asian market turbulence

BAA, the retailer and airports operator, unveils third quarter results today and NatWest Securities forecasts pre-tax profits down 22 per cent at £309m ($516m) although it expects a number of distorting factors to take their toll. Operating costs are expected to rise by 35 per cent, mainly due to an acquisition. Pre-tax profits, excluding exceptionals, of £410m are expected, a 4 per cent rise.

Mike Powell at NatWest said traffic growth has been strong, although "a clear catalyst to reverse the shares' relatively poor performance has yet to emerge". He thinks that passenger numbers in the first nine months will have increased by 7 per cent to 82m. This, coupled with other income, suggests a 22 per cent jump in total revenues to £1.3bn.

NatWest expects a 1 per cent fall in retail income per passenger, partly due to the effect of Asian market turmoil. It adds that BAA had already refocused its attention on UK nationals.

■ **Henderson**, the fund manager, is to announce third-quarter results tomorrow. However, few investors expect anything in the figures to overshadow news about takeover talks.

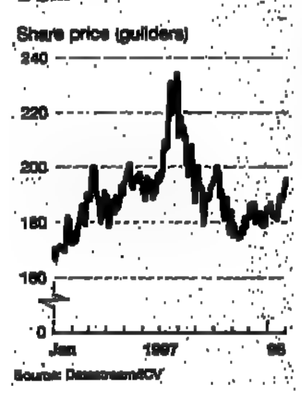
One of the few remaining independent listed fund management companies in the UK, Henderson announced it was in takeover talks last week. AMP, Australia's largest insurance and investment group, emerged as the predator in a deal which could value Henderson at about £363m based on an indicated price of £16.50 a share.

Analysts expect full-year pre-tax profits of more than £22m for the year with a dividend of about 47p. The group surprised analysts with a £1m write-down for an aborted deal at its interim announcement.

■ **British Sky Broadcasting** will try to allay concerns about its move to a 200-channel digital television service when it reports its interim results tomorrow.

BSkyB shares have been suffering on the uncertainties over the launch of digital this year. The company is expected to report pre-tax profits at about the same level of last year's £135m for the six months to December.

DSM



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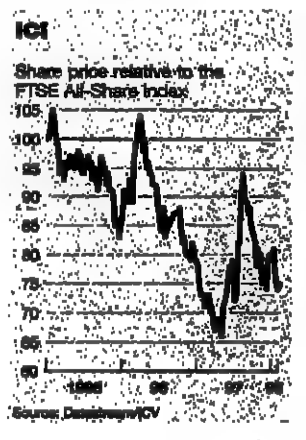


Source: Datastream/ICV

■ **DSM**, the Dutch chemicals and materials company, is to give an "indication" of its 1997 profits tomorrow with the definitive results to be published on March 3. Analysts expect a 1997 net profit of Fl 840m-Fl 892m, up from Fl 720m ($360m) in 1996.

In October, DSM reported net profit for the first nine months of 1997 up at Fl 679m or Fl 22.44 a share, up from Fl 591m or Fl 18.78 a share a year earlier. It also forecast full-year profits clearly higher than a year earlier.

Analysts at Oyens & Van Eeghen said they expect DSM to report 1997 full-year net profits of Fl 892m. They said increased sales account for most of the rise, as operating margins are only slightly higher than in 1996.

"Margins for hydrocarbons and fine chemicals rose, while margins for polypropylene, resins and fertilisers declined. Depreciation costs have risen approximately 12 per cent due to acquisitions and investments in new plants, and interest costs were also slightly higher," Oyens & Van Eeghen said.

Looking ahead, they are forecasting a 20 per cent decline in 1998 earnings per share to Fl 23.85, with a slowdown beginning in the second quarter as export volumes to Asia come under pressure. *AFX Amsterdam*

■ **Capital Shopping Centres** is due to report results for the year to December on Wednesday, and a pre-tax figure of £74m, up from £58.4m, is expected from the property group. At the interim stage, a 9 per cent jump in the value of its portfolio was attributed to a buoyant retail market, prompted by planning restrictions that had created scarcity in out-of-town shopping centres. Analysts will be interested to see if CSC's shopping centres have continued to take market share from the high street.

■ A shareholder protest over corporate governance could flare up in public at the AGM of Granada, the television and hotels group, on Wednesday. Several investors expressed dismay at the remuneration committee's payment of £374,500 to five directors when it shortened their notice periods in the event of a takeover. This has provoked comment from the National Association of Pension Funds, and some calls for a vote against the re-election of John Ashworth, a remuneration committee member.

■ **Imperial Chemical Industries** is announcing its first full-year results since reinventing itself as a speciality chemicals concern last year. It is expected to report pre-tax profits of £385m ($498m) and earnings per share of 28.5p on Thursday. Analysts forecast a maintained dividend.

The results will include a contribution from the titanium dioxide and polyester businesses which have now been sold to DuPont. Interest will focus on the performance of the speciality chemicals businesses bought from Unilever last year for £4.9bn and on the paints division. These have been identified as the core divisions going forward. Any news on disposals of the remaining businesses would also be welcome.

INTERNATIONAL EQUITIES By Vincent Boland

Argentaria leads the fresh wave

Europe's privatisation programme restarts in earnest this week with the launch of an international roadshow to market the last tranche of state-owned shares in Argentaria, the Spanish banking group, with evidence that retail investors retain their enthusiasm for equity issues.

Figures last week suggest Spanish retail investors, who are being offered 60 per cent of the $2.2bn issue, have applied for 10 times as many shares as there are on offer. With so little left for international investors a roadshow appears unnecessary, but analysts said Argentaria remains a popular stock despite the rise in its share price ahead of the issue.

Though no price has yet been set for the sale – it will not be decided until February 16 – the share price on the Madrid stock exchange raced ahead last week, climbing above Pta10,500.

Aside from the new issue of shares and a proposed stock split, Argentaria has unveiled reforms to its corporate governance structure which many view as a positive signal for minority holders. It is also reported to be moving closer to alliances with other banking and financial services groups after its privatisation is completed.

Nevertheless, there was surprise that the level of demand for the new shares, which represent 29.2 per cent of Argentaria, could be so high. "It is clearly being marketed very well. It's a case of supply creating its own demand," said one banker.

Argentaria's performance is good news for the Spanish government, which has signalled no slowing down in its privatisation drive. A secondary offering of shares in Endesa due later this year could raise $5bn. Banks are currently pitching for leading roles in that transaction, expected to be one of the biggest this year in Europe; an announcement is expected soon.

The government has also named Salomon Smith Barney as adviser for the sale of its controlling stake in Tabacalera, the tobacco group.

Salomon has also landed what looks like being Turkey's biggest issue to date – the sale of the state's remaining stake in Isbank, which analysts are valuing at up to $800m. The issue is likely to be followed later this year by a capital increase at Finansbank, another leading Turkish bank, which has mandated Nomura International to lead the transaction.

The main focus last week, however, was the award of two of the most sought-after mandates of this year. Credit Agricole Indosuez and Morgan Stanley Dean Witter were nominated to advise the French government on the privatisation of Air France, while Lazard Freres and Société Générale will advise the airline.

The Polish government, meanwhile, selected a short-list for the forthcoming flotation of Telekomunikacje Polska, the national telecoms group. Four – Credit Suisse First Boston, Deutsche Bank and Wielkopolski Bank Kredytowy; UBS, Goldman Sachs and PKO; HSBC and Lehman Brothers; and Schroders – were nominated to the second round of bidding. A winner is due to be announced this week.

The head of equity capital markets at a big European bank said: "There are a lot of mandates being awarded, and a lot of business there to be won. The wave of M&A activity means markets are holding up well and this is persuading issuers to move ahead."

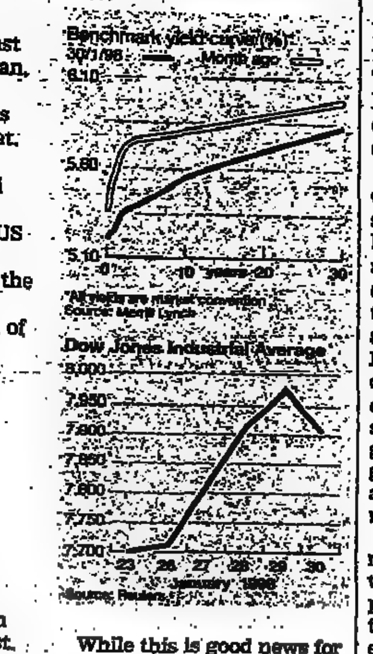
MARKETS: This Week

NEW YORK By Tracy Corrigan

The clouds over the US financial markets lifted last week when Alan Greenspan, the Federal Reserve chairman, explained in his testimony to Congress that far from being a negative factor, the Asian financial crisis was a useful mechanism for cooling a US economy in danger of overheating. He said that the crisis would help slow US growth and the likelihood of lower prices on imported goods would damp inflationary pressures caused by the tight US labour market.

"We have believed for some time that Asian developments were forestalling what would otherwise be an almost certain tightening by the Fed, and Mr Greenspan confirmed that," said John Williams, at Bankers Trust.

Mr Greenspan's remarks have been interpreted to mean the Fed is now taking a neutral stance on interest rates, with no plan to raise rates in the near and possibly medium term. "The Asian crisis will offset any inclination the Fed may have had to firm policy, while the still brisk pace of growth and tight labour market will keep it from easing policy," said Marilyn Schaja, of Donaldson Lufkin & Jenrette.



While this is good news for both bond and equity markets, concerns about the impact of Asia's economic crisis are likely to continue to hit individual companies and sectors with significant exposure.

Among this week's economic data, traders will be watching for January non-farm payrolls on Friday, which analysts expect will show a rise of 225,000, down from 370,000 the previous month, according to Standard & Poor's MMS.

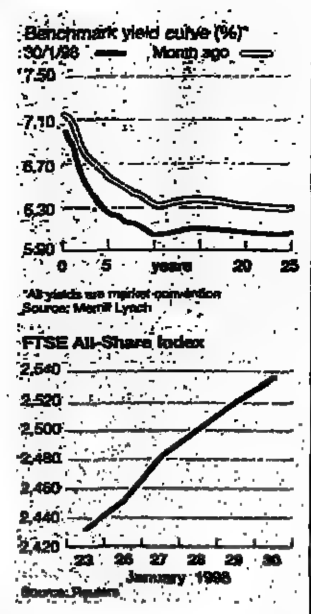
LONDON By Philip Coggan

High noon for the UK market could come this Thursday when the Bank of England's monetary policy committee announces its decision on base rates.

Recent data have sent conflicting signals about the state of the UK economy, leaving substantial doubt about the committee's decision. On the one hand, there was the acceleration in average earnings and last Friday's strong consumer credit numbers; on the other, there was the slowdown in fourth-quarter gross domestic product growth and the (seasonally adjusted) drop in December retail sales.

If there are any committee members still undecided today, they will have the purchasing managers' index to give some idea about the economy's health in January.

There was certainly nothing sickly about the the UK stock market last week, with the FTSE 100 index reaching three successive all-time highs. Takeover speculation and the high level of institutional cash combined to squeeze the market higher, especially as the closure of many Asian markets for the Lunar New Year reduced the potential for bad news from that region.



Corporate results this week include figures from BAA, BSkyB and ICI but the market may yet be more interested in whether any of the rumoured deals in the bank or insurance sectors come to fruition.

On the international front, last week's comments from Alan Greenspan, chairman of the Federal Reserve, about the effect of the Asian crisis on the US economy seem to have calmed fears that the Fed might raise rates at Tuesday's meeting.

FRANKFURT By Andrew Fisher

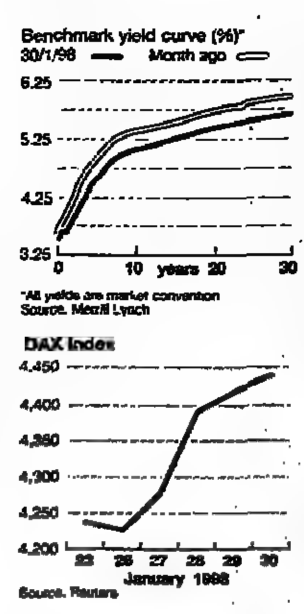
After climbing back to the heady levels of last August, the German stock market will be subject to a bewildering variety of foreign and domestic influences this week.

Abroad, the implications of the Asian financial crisis, military threats against Iraq and the problems of US President Clinton will keep investors on their toes. At home, rising unemployment and further news from banks on the impact of Asia's woes on their profits should also make for increased caution.

On Friday, the DAX blue chip index closed at 4,442.53, marginally down on the day but showing firm resistance to the bearish voices that have recently been raised.

Landesbank Rheinland-Pfalz said high liquidity and meagre bond yields had kept equities attractive, as had the positive tone on Wall Street. Several better than expected profit statements also lifted sentiment.

Today, Commerzbank will announce preliminary figures. It has declined to comment on reports that it might have to provide far more against Asian lending risks than previously supposed. Deutsche Bank last week surprised the market by announcing special provisions of DM1.4bn against risks in the



Asian problem countries, but the shares rose after it also outlined a restructuring.

Further news of the merger between Krupp and Thyssen should emerge on Thursday, as the former's supervisory board meets to agree an industrial strategy. On the same day, Preussag will announce its results, unemployment figures are expected to show another post-war high and the Bundesbank is likely to leave interest rates unchanged at its meeting.

TOKYO By Emiko Terazono

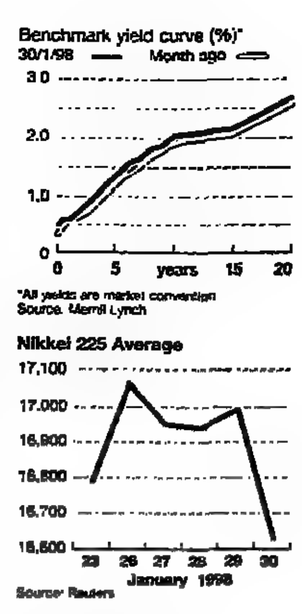
Japanese shares are likely to continue to be affected by the spate of scandals at the ministry of finance. Last Friday, the Nikkei index closed below 17,000, losing the week's gains on fears that a new revelation could further delay the long-awaited approval of the government's economic stimulus measures.

Although Ryutaro Hashimoto, prime minister, last Friday appointed Hikaru Matsunaga, a former public prosecutor, as finance minister in an attempt to restore confidence in the government, the move merely prompted investors to take profits.

Trading volumes are expected to remain high as companies attempt to realise profits on their shareholdings ahead of the March book-closing.

While some of the leading electronics groups issued lower than expected figures last week, many of the leading companies will try to prop up current year profits through share sales.

The week will be quiet in terms of economic data. Vehicle sales figures for January, to be released today, are expected to offer an early sign of spending trends, which are believed to have deteriorated amid the spate of bankruptcies. ING



Barings estimates a fall of 18.4 per cent from the previous year.

Long-term interest rates are expected to ease as further evidence of low consumer confidence emerges. Traders are expected to react to any signs of economic weakness in the US, as this would affect Japan's economic recovery. Short-term rates are expected to start firming as companies and banks dip into the markets for year-end funding.

COMMODITIES By Kenneth Gooding

Aluminium may face further squeeze

Aluminium consumers will be watching to see if the supply squeeze developing on the London Metal Exchange grows tighter this week.

Traders suggest the squeeze is aimed at organisations that sold aluminium short – sold metal they did not own in the hope that the price would fall and they could buy it later and pocket the difference. These organisations have to cover their positions in April and May.

At least one trading house seems to have been removing aluminium from LME warehouses and storing it elsewhere, hoping this will squeeze up prices, traders say.

LME stocks have fallen by 33,600 tonnes, or more than 5 per cent, from 624,800 tonnes at end-1997. About 14,200 tonnes were drawn from stocks last week, reducing them by 2.4 per cent.

"The conditions certainly appear suitable for a squeeze, with stocks relatively low, and still falling," says Jim Lennon, analyst at Macquarie Bank, the Australian group. "The downtrend in prices since August and the generally bearish sentiment in recent months have discouraged consumer buying and encouraged speculators to go short. The need for consumers to return to the market, together with speculators covering their short positions, offer the prospect for a rally in prices in coming weeks."

Prices could climb to about the US$1,650 a tonne mark, at least for a short time, he suggests, but "there must be serious doubts about whether a rally above these levels would be sustainable". Aluminium for three-month delivery was $1,535 a tonne on Friday.

One indication of an approaching squeeze is that the LME aluminium price is in backwardation – when there is a premium for metal for immediate delivery – although on Friday it was only $4 a tonne compared with aluminium for delivery in three months.

Last August, in a previous squeeze, this premium rose to $120 and the LME board imposed a limit of $5 a tonne on the cost of rolling forward a position for one day. This limit remains in place.

CURRENCIES By Simon Kuper

Mixed views on UK rate rise prospects

Has the UK seen its last interest rate rise of this economic cycle? The money markets are betting it has. However, economists say the Bank of England might produce a final rate flourish after its monetary policy committee meets on Wednesday and Thursday.

One sector of the UK economy clearly requires no rate increase. Manufacturers are struggling, with the strong pound depressing exports. Eddie George, the bank's governor, said last week a delay in rate rises could take the pressure off sterling.

However, the committee's sole stated task is to keep underlying inflation between 1 per cent and 2.5 per cent. Prices are now rising by more than that. With new year wage settlements apparently strong, the bank will increase rates if it thinks this is needed to meet its target. If it did, it would probably also say rates were now on hold, in a bid to stop sterling from going into orbit. The pound ended last week at DM2.989 and $1.635.

The US Federal Reserve's Open Market committee meets tomorrow and Wednesday, but is expected to leave US rates unchanged. Alan Greenspan, Fed chairman, said last week the impact of the Asian crisis on the US economy was still unclear. He noted that it could push prices down.

The dollar surged last week, recovering the 5 pfennigs it had lost against the D-Mark the week before. Investors remain bullish on the US economy and bearish on Germany, particularly after the former reported on Friday a 4.3 per cent increase in gross domestic product for the fourth quarter of 1997.

This week, jobs figures from both countries will tell the market whether its mood requires revision. German unemployment data for January are expected on Thursday, and the next day the US reports its non-farm payrolls numbers for the same month. A long-awaited fall in German unemployment could buoy the D-Mark.

But all bets would be off if any significant developments emerged in the scandals in the US and Japan. President Bill Clinton's sex life and the numerous wrongdoings alleged against Japanese ministry of finance officials still occupy space in traders' minds.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

French shares caught up with the rest of Europe last week, with the CAC 40 hitting fresh peaks. The benchmark index broke above 3,100 in improving volume, helped by a strong dollar, the better tone across Asia and some solid profits news.

There was also comforting news on the political front, with the jobless protest movement showing signs of losing momentum, helped by a steep 3.8 per cent fall in December unemployment.

Most brokers now view the market as back to fair value. With the majority of 1997 results not due to be released until the latter part of this month, French equities' exposure to profit-taking is likely to be a constant source of irritation to the bulls. The role of the dollar, which climbed above FFr6.00 last week, is seen as a key determinant.

The recent results flow has been helpful. Rhône-Poulenc, which unexpectedly wheeled out a further round of stiff provisions, provided a significant shock. But there was solid underpinning for investor sentiment from Pechiney, Alcatel Alsthom and Danone. Oil giant Total was also in top form. With cost-cutting and the lack of exposure to petrochemicals on its side this year, the way ahead looks equally impressive.

This week, mainstream company results are thin on the ground. The broad broker consensus is that Paris, more than most bourses, will remain susceptible to the international situation.

MILAN

The Italian market is widely expected to stay upbeat. Shares pushed deeper into record territory last week, fuelled by the relaxed interest rate outlook and an outbreak of merger mania in the banking sector.

A link between San Paulo di Torino and Credito Italiano headed the rumour mill. Since the start of the year the real-time Mibtel index has risen 9 per cent and it has put on more than 30 per cent since the lows of last October.

The broker consensus on the region is positive. In the January edition of its Portfolio Strategy, Goldman Sachs is overweight on Italy, citing strong earnings, courtesy partly of tax reform, restructuring among financials and the "domestic and defensive structure of market earnings".

HONG KONG

Hong Kong reopens today after the Lunar New Year holiday and is likely to spend most of the session catching up with events elsewhere in Asia.

Since last Tuesday, when when Hong Kong last traded, a number of regional stock markets have surged strongly on signs of optimism returning to the Pacific Rim. Thailand, for example, stormed ahead on Friday to extend its rally since January 12 to more than 40 per cent.

The upturn for regional currencies and the way foreign-listed Hong Kong shares have pushed higher in recent sessions suggest that today could open with a bang. HSBC shares rose 20 per cent in London last week. Brokers feel that the 11,000 point fair value range on the Heng Seng index is now in view.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
PacifiCorp (US)	Energy Group (UK)	Power	$6bn	Rivals gather
Kerry (Ireland)	Unit of Dalgety (UK)	Food	$560m	Restructuring
Instrumentarium (Finland)	Unit of BOC (UK)	Healthcare	$500m	Ohmeda split
Becton Dickinson (US)	Unit of BOC (UK)	Healthcare	$425m	Ohmeda split
Quebecor (Canada)	Watmoughs (UK)	Printing	$314m	Offer extended
Sage Group (UK)	SOTA (US)	Software	$263m	Renews growth
Omnicom (US)	GGT (UK)	Advertising	$235m	Agreed bid
Glaxo Wellcome (UK)	Polfa Poznan (Poland)	P/ceuticals	$220m	New landmark
Baxter Int'l (US)	Unit of BOC (UK)	Healthcare	$104m	Ohmeda split
Rexam (UK)	Der Kwei (Thailand)	Packaging	$97m	Stake + option

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 30, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7786.25	4750.00	2598.47	3748.08
Albania	(Lek)	248.520	[illegible]	83.1510	119.874
Algeria	(Dinar)	97.2825	59.5000	32.5492	46.9243
Andorra	(French Fr)	10.0085	6.1220	3.3490	4.8281
[illegible]					
Fr. Cty/Africa	(CFA Fr)	1000.95	612.200	334.902	482.808
Fr. Guiana	(Local Fr)	[illegible]	6.1220	3.3490	4.8281
Fr. Pacific Is	(CFP Fr)	181.621	111.093	60.7675	87.6048
Gabon	(CFA Fr)	1000.95	612.200	334.902	482.808
Gambia	(Dalasi)	16.5326	10.1117	5.5316	7.9745
Germany	(D-Mark)	2.9888	1.8280	1	1.4416
Ghana	(Cedi)	3744.16	2290.00	1252.74	1805.98
Gibraltar	(Gib £)	1	0.6118	0.3346	0.4824
Greece	(Drachma)	[illegible]	[illegible]	156.414	228.375
Greenland	(Danish Krone)	11.3396	6.9661	3.8108	5.4938
Grenada	(E Carib $)	4.4145	2.7000	1.4770	2.1293
[illegible]					
Nicaragua	(Gold Cordoba)	[illegible]	10.0840	5.5164	7.9527
Niger Rep	(CFA Fr)	1000.95	612.200	334.902	482.808
Nigeria	(Naira)	35.7836	21.8860	11.9727	17.2603
	(Naira)	133.212m	81.4760	44.5708	64.2547
Norway	(Nor. Krone)	12.3802	7.5781	4.1456	5.9764
Oman	(Rial Omani)	0.6295	0.3850	0.2106	0.3036
Pakistan	(Pak. Rupee)(4)	71.9436	44.0060	24.0739	34.7050
Panama	(Balboa)	1.6350	1	0.5470	0.7886
Papua New Guinea	(Kina)	2.9118	1.7809	0.9742	1.4045
Paraguay	(Guarani)	4103.85	2510.00	1373.09	1979.50
[illegible]					
Zambia	(Kwacha)	2460.69	1505.00	823.304	1186.91
Zimbabwe	($)	27.7953	17.0000	9.2998	13.4069
ECU	(ECU)	1.5143	0.9261	0.5066	0.7304
SDR	(SDR)	1.21547	0.738339	0.408555	0.580291

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97 (5) Rouble rebased on 1/1/98. FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times. FT Cityline apologises for the recent suspension in service. We are now pleased to inform users that the service is once again fully operational.

Friday, January 30, 1998

MARKETS: This Week

EMERGING MARKETS By Ken Warn

Asia cloud over Buenos Aires

Argentina's Merval share index is down almost 11 per cent so far this year at 612.38, far from the heady days of 1997, when 900 looked within reach.

It is not that the country's traders care too much right now. Many are still sunning themselves in Uruguay and the Caribbean. But as they begin trickling back to work in the next few days, bronzed brokers face a horizon clouded by the Asian crisis, and fears of storms blowing in from Brazil, where the exchange rate regime is vulnerable to attack as long as the uncertain international climate persists.

A forced Brazilian devaluation would put Argentina's currency board system, which pegs the peso at par to the dollar, under strain.

Foreign investors began fleeing Buenos Aires last year, as the Asian crisis impacted on emerging markets generally, and the *bolsa* has since languished in low trading volumes.

Local analysts agree it will take a lot to tempt foreigners back into the water. Raúl Buonuome and Daniel Tassan-Din, respectively chief economist and head of equities at Deutsche Morgan Grenfell, check off a long list of negatives for the market.

The economy faces the fall-out from lower world commodity prices; loss of competitiveness due to dollar strength; worries over Brazil; increases in international financing costs; and disappointing tax receipts due to slower growth. About 60 per cent of exports are commodities-related.

The stock market is dominated by the energy sector. Shares in YPF, the privatised energy concern with a market capitalisation of $10bn, have sunk in line with international oil prices, picking up only recently on rising tensions over Iraq.

The motor vehicle sector has also taken a hit on fears of lower exports to Brazil, with Peugeot manufacturer Sevel off more than 22 per cent this year.

Weakening export performance is likely to mean further deterioration in Argentina's balance of payments deficit, which last year edged toward 3 per cent of GDP, and growth will inevitably shrink from 1997's storming 8 per cent.

"Our most optimistic assessment of growth this year is 4 per cent, but any fresh negative will mean that is not achievable," said Mr Buonuome. But the dollar peg will be maintained, as it was during the Mexican financial crisis in 1995. "The machine will work, but the level of economic activity will suffer," he added.

But eventually the bad news may be fully discounted, said Mr Tassan-Din. "If the Merval drops to 560 or 570, some stocks are going to start looking attractive."

Christopher Ecclestone, strategist at brokers Interacciones, is more upbeat. He believes Argentina's private pension funds, known as AFJPs, will continue cherry-picking their favourite stocks at what could prove bargain prices.

"The pension funds look like they are sitting on about $450m in contributions. When the managers get back from holiday, about a quarter of that is likely to be pumped into stocks," Mr Ecclestone said.

As of December, the AFJPs had a total $8.8bn under management, 21.5 per cent of it invested in the stock market.

The rise of home-grown institutional investors, such as the pension and mutual funds, is steadily reducing dependence on foreign investors, said Mr Ecclestone.

"The AFJPs are basically repatriating the stocks. I think the market will rise because of internal forces," he said.

Some analysts are also optimistic about the next round of company results. While loan-loss provisions and losses on bond portfolios may hold back the banking sector, other sectors are not expected to show much Asian fall-out.

The political background also remains relatively benign. Last month the government pushed through privatisation of the airports, overcoming fierce political opposition.

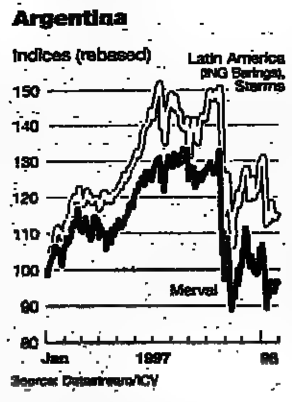
Last week it announced plans to sell its remaining holdings in privatised companies, including a 20 per cent stake in YPF and 5 per cent of Aerolineas Argentinas, which could raise a total $3bn to plug any financing gaps.

A headline-grabbing battle for supremacy in the ruling Peronist party between President Carlos Menem and Eduardo Duhalde, governor of Buenos Aires province, is not affecting economic management, said Freddy Thomsen, chief economist at ING Barings.

Fixed-income investors also continue to look favourably on Argentina, which has almost met its first-quarter international borrowing requirements, although at higher spreads than before the Asian crisis. Last week's 10-year D-Mark bond issue was doubled in size to DM1.5bn due to heavy demand.

However, it is likely to take a more settled international environment to tempt foreign investors back into the stock market. Traders' tans may have well and truly faded by the time that happens.

Argentina



Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms Jan 29th 1998	% Change over week	% Change on Dec '97
Latin America	(270)	593.89	0.0	-12.3
Argentina	(32)	1,021.37	+2.2	-8.5
Brazil	(75)	452.82	+0.7	-6.2
Chile	(50)	537.08	-0.5	-16.4
Colombia[1]	(16)	738.84	+5.7	-10.5
Mexico	(61)	653.85	-2.2	-17.0
Peru[2]	(24)	196.70	-1.7	-11.2
Venezuela[3]	(12)	745.10	+6.7	-18.6
Asia	(758)	100.67	+3.5	-6.6
China[4]	(43)	39.32	+4.1	-28.9
South Korea[5]	(164)	34.37	+12.7	+43.1
Philippines	(49)	100.83	+3.6	-10.6
Taiwan, China[6]	(98)	135.19	-0.9	-4.2
India[7]	(72)	74.37	-5.1	-10.8
Indonesia[8]	(61)	21.03	+36.3	-37.5
Malaysia	(157)	78.62	+3.5	-13.7
Pakistan[9]	(24)	229.78	+2.2	-7.5
Sri Lanka[10]	(5)	110.27	-0.8	-5.2
Thailand	(65)	64.12	+8.5	+16.1
Euro/Mid East	(396)	141.39	+1.6	-4.3
Czech Rep	(6)	50.33	-2.0	-8.0
Egypt	(28)	97.37	-2.6	-8.3
Greece	(54)	299.74	-5.9	-7.5
Hungary[11]	(13)	286.71	-1.9	-8.9
Israel	(46)	110.45	-0.8	-9.3
Jordan	(6)	207.84	+1.5	-1.2
Morocco	(11)	129.52	-0.3	-0.6
Poland[12]	(29)	591.74	+4.9	-0.8
Portugal	(23)	236.78	+2.8	+12.2
Russia	(30)	89.08	-11.6	-33.4
Slovakia	(5)	87.61	-3.8	-11.6
South Africa[13]	(77)	188.90	+8.5	+5.1
Turkey[14]	(58)	296.54	+0.1	-5.0
Zimbabwe[15]	(10)	247.59	+2.2	-1.8
Composite	(1,424)	225.93	+1.4	-8.2

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 6 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

SYNDICATED LOANS By Simon Davies and Edward Luce

Margins start showing signs of improvement

After four years of significant pricing declines, driven by substantial liquidity in the banking system and tough competition for mandates, the syndicated loan market is beginning to see improving margins.

Tim Elliot, a managing director at J. P. Morgan, argues: "The loan market has built up like a bubble over a long period of time, but the bubble has now burst. Other than perhaps the top quality sovereign niche, it is hard to argue that prices anywhere are not under upward pressure."

The most important factor behind the shift has been the crisis in east Asia, which has forced the Japanese banks to retrench substantially. Japan is estimated to represent between 10 and 15 per cent of the market for loans.

"The Japanese are practically nowhere to be seen," claimed one US banker. A Japanese banker said: "We are no longer in the position where we can undercut other banks on pricing."

There has also been pressure on European banks to improve returns on capital, which has removed some capacity from the loan market.

Investment bankers point to the forthcoming SFr4bn syndicated loan for Ciba Speciality Chemicals of Switzerland as a sign of changing market conditions.

Ciba, which is raising the cash to fund its £1.4bn acquisition of Allied Colloids, the UK company, is paying a significantly wider margin than on its last foray into the market in 1997.

According to an official at CSFB, arranger of the loan, Ciba will pay 18.75 basis points on the 364-day SFr2bn tranche and 22.5 basis points for the 18-month portion. This compares with a margin of nine basis points on the SFr1.5bn loan it took out last year.

"This is effectively a snapshot of what has happened to the market since then," said one banker. "But the pricing on the Ciba loan is fair pricing by any value."

According to a study by Merrill Lynch, if banks had bought bonds instead of taking a slice of sovereign and corporate loans to Turkey and Hungary last year, they would have made an average additional return of around 70 basis points and 112 basis points respectively. Also, they would have had a more liquid debt instrument. That is a lot to pay for ancillary business that may never come.

It is in emerging markets that the upswing in syndicated loan pricing has first been felt, and a number of offers have actually been pulled. The bond market responded aggressively to the Asian crisis, and the syndicated loan market is having to follow.

But even for the top notch corporate borrowers, spreads could start to widen. The $1bn revolving credit facility for Incentive, part of the Wallenberg family's corporate empire, is expected to give a pointer to market appetite, having been aggressively priced by lead arranger Deutsche Bank.

Most bankers expect to see gradual convergence between the syndicated loan and corporate bond markets. European economic and monetary union should help create a broad and liquid corporate bond market, against which loans can be more effectively benchmarked.

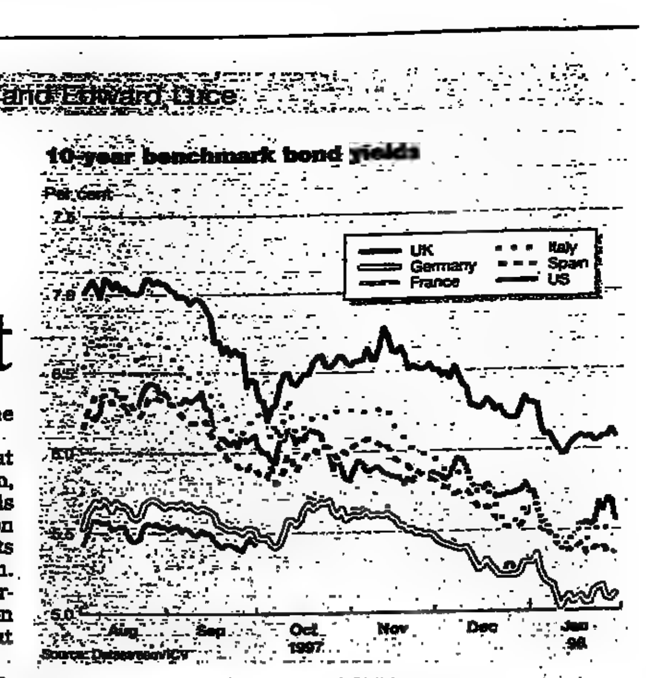
Moreover, the Loan Market Association is soon to produce its code of practice for the secondary trading of loans. Following the ICI and BAT Industries deals, Barclays Capital estimates that secondary loan trading amounted to $20bn last year, nearly double the figure for 1996.

Secondary market trading should also increase transparency in the market. The BAT Industries' jumbo $8bn syndicated loan has, for example, demonstrated how much the arrangers were paying for the relationship. In the secondary market, loans have been sold at 50 basis points below par, the breakeven point for co-lead arrangers.

This could add to the upward pressure on pricing. But despite the withdrawal of a number of the estimated 860 banks who participated in the $390bn euroloan market last year, many bankers expect further growth in volumes in 1998.

Mr Elliot said: "Volumes in Europe are all dependent on corporate and mergers and acquisitions activity. There is so much to happen in terms of industry consolidation and other structural change, that volumes should remain high."

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.30[1]	5.50	7.25[2]
Overnight	n/a	n/a	3.30	3.31	6.31	n/a
Three month	5.20	0.38	3.42	3.44	6.06	7.45
One year	5.24	0.62	3.72	3.64	6.14	6.98
Five year	5.41	1.34	4.68	4.56	5.05	6.26
Ten year	5.55	2.00	5.06	5.10	5.48	6.04

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Siemens Capital Corp	750	Feb 2008	6.00	99.085R	6.125	+37(5⅝%-Aug07)	M Stanley/SBC/NDR
National Bank of Canada‡	500	Feb 2003	(a)	100.00R	-	-	JP Morgan/UBS
World Bank(b)	500	Feb 2001	5.50	99.577R	5.620	+15(5⅝%-Nov00)	ABN Amro/Lehman
Flag Ltd(c)★	430	Jan 2008	8.25#	100.00R	8.250	+265(6⅛%-07)	Salomon Smith Barney
BMW Australia Finance	150	Feb 2002	6.00	97.088	5.848	+37(5⅝%-Nov02)	Deutsche MG
Grupo Azucarero(d,e)★	145	Jan 2005	11.50#	97.673	12.00	+645(7½%-05)	CSFB
Intl Finance Corp(e)	100	Feb 2008	6⅛(f)	101.675	-	-	Barclays Capital Group
European Investment Bank	1bn	Feb 2003	4.50	99.113R	4.704	+17(M 5yr)	SBC Warburg DR
Hypo in Essen(i)‡	1bn	Mar 2000	(k1,s)	99.96	-	-	Barclays Capital Group
BNG	500	Feb 2005	6.00	99.353R	6.087	+32(6¼%-Aug07)	CSFB/JP Morgan Secs
KfW International Finance(m)	250	Jan 2008	5.75	98.11R	6.007	+20(6¼%-Aug07)	CSFB/Deutsche MG
Optimum Finance, 1A(v)‡	400	Jan 2013	(v1)	100.00	-	-	SBC Warburg DR
Banque Generale du Lux	100	Dec 2000	5.70	102.163R	5.71	+20(5⅝%-Nov00)	BGL
Prime Funding, Cls A1(A1)‡	465	Feb 2001	(A1)	100.00R	-	-	IBJ International
Prime Funding, Cls A2(A2)‡	700	Aug 2003	(A2)	100.00R	-	-	IBJ International
Ned Waterschapsbank	500	Feb 2008	6.125	99.767R	6.157	+38(6⅛%-Aug07)	ABN Amro/Salomon
Council of Europe	250	Feb 2008	zero	55.737R	6.019	+25(6⅛%-Aug07)	Painewebber Intl(UK)
European Inv'ment Bank★	50	Feb 2001	5.10(l)	98.50	6.26	-	SBC Warburg DR
Nomura Depositor Trust(G)‡	2.05bn	-	-	-	-	-	MSDW/Nomura Intl
Inter-American Dev Bank(H)★	165	Mar 2001	3.10#	93.91	-	-	Nikko Europe
Diamond Holdings(H)	110	Aug 2008	9⅛(l)#	100.00	9.125	+357(5⅝%-07)	Goldman Sachs Intl
D-MARKS							
Cades(l)	3bn	Oct 2008	5¼(l)	98.468R	5.394	+18(l)	CDC Marchés/Deutsche
KfW	3bn	Feb 2000	4.00	99.868R	4.070	+10(7%-Jan00)	Dresdner/Goldman
DePfa Bank(o)	4bn	Feb 2005	5.00	99.80R	5.035	+16(7⅜%-Jan05)	Deutsche/Goldman
SuedwestLB Capital Markets	1bn	Feb 2003	4.625	99.677R	4.699	+20(4½%-Aug02)	ABN Amro/Merrill Lynch
GECC(n)	250	Dec 2001	4.50	100.394R	4.382	+2(4¼%-Mar01)	Goldman Sachs
Texon International(q)	245	Feb 2008	10(q)	100.00R	10.00	+495(5¼%-08)	Chase Manhattan Bank
CS Financial Products(q)‡	150	undated	(q1)	99.81R	-	-	CSFB
Pro Sieben Media	250	Mar 2005	5.50	101.25	5.282	-	Bayerische Hypo
Republic of Argentina	1.5bn	Feb 2008	(B)	99.70R	9.236	+412(5¼%-08)	Dresdner/M Stanley
Tokyo Electric Power Co	1bn	Feb 2003	4.75	99.656R	4.829	+30(4½%-Aug02)	WestLB
Hellenic Republic‡	750	Feb 2003	(L)	99.75	-	-	ABN/Tokyo-Mitsubishi
STERLING							
Abbey Natl Trsy Services(r)	100	Jan 2001	7.125	100.84R	6.807	+27(8%-Dec00)	Salomon Smith Barney
Swedish Export Credit★	40	Feb 2001	6.20(w)	100.00	6.36	-	IBJ Intl/Wako Europe
Republic of Colombia	100	Feb 2008	9.75	99.54R	9.824	+350(7¼%-07)	Barclays/CSFB
Diamond Holdings(H,s)	135	Aug 2008	10.00#	100.00	10.00	+385(7¼%-07)	Goldman Sachs Intl
FRENCH FRANCS							
DePfa Bank(g)	300	Mar 2004	(g1,l)	100.30	-	-	CDC Marchés
Household Finance Corp	1.5bn	Feb 2008	5.60	99.175R	5.610	+52(l)	Société Générale
Household Finance Corp	1.5bn	Feb 2003	5.00	99.892R	5.025	+48(l)	Société Générale
Frankfurter Hypo(C,p)	400	Mar 2008	(C1)	100.325	-	-	CDC Marchés
Goldman Sachs O'seas Fin	1.5bn	Feb 2008	5.625	99.224R	5.724	+64(5¼%-Apr08)	CLyon/Goldman/SocGen
YEN							
Inter-American Dev Bank(t)★	15bn	Feb 2000	5.00(l)	100.00	-	-	Daiwa Europe
DSL Bank(J)★	13.6bn	Feb 2008	3.00	104.125	-	-	Nomura International
ITALIAN LIRE							
Brazil SSK Jersey(t)	300bn	Apr 2012	8.00(s)	99.50R	-	-	Cariplo/CSFB
Rheinische Hypo	250bn	Feb 2003	5.00	100.012R	4.997	-	Morgan Stanley DW
Cremonia(p)‡	250bn	Feb 2003	(p1)	99.50R	-	-	BII Bank Luxembourg
European Inv'ment Bank(y)‡	150bn	Feb 2010	(y1)	100.855	-	-	JP Morgan Securities
Abbey Natl Trsy Services	200bn	Feb 2008	5.45	101.40	5.266	-	Cariplo/JP Morgan
GMAC‡	300bn	Feb 2003	(D)	99.829R	-	-	Credito/Merrill Lynch
Crédit Local de France(E)‡	150bn	Feb 2013	(E1)	99.625R	-	-	Morgan Stanley DW
SWISS FRANCS							
Ned Waterschapsbank	200	Mar 2008	3.50	103.30	3.111	-	SBC Warburg DR
GECC	300	Mar 2002	2.00	100.65	1.830	-	Bq Paribas/Deutsche
Ciba	800	Feb 2008	3.375	102.625	3.066	-	CSFB
GUILDERS							
Kredietbank Intl Finance	110	Mar 2005	(l)	99.65R	6.12	+20(l)	Kredietbank Intl Group
Halifax	1bn	Feb 2008	5.375	99.841R	5.393	+28(l)	ING Barings
EUROS							
Crédit Local de France(z,N,O)	750	Apr 2008	5.25(l)	98.343R	5.462	+24(5½%-Apr08)	BNP/Paribas
Argentaria Global Finance(N)‡	250	May 2003	(x,s)	99.776R	-	-	Paribas
Baden-Wuert'berg L-Fin(z,N)	1bn	Apr 2008	5⅛(z)	98.677R	5.42	+18(5¼%-Apr08)	JP Morgan/Paribas
SBC, Jersey Branch(F,N,S)	75	Feb 2008	1.00	100.00	-	-	SBC Warburg DR
Bank Austria(z,N)	125	Mar 2003	4.75	99.90R	4.759	+5(6%-Apr03)	Paribas
AUSTRALIAN DOLLARS							
EBRD	1bn	Feb 2028	zero	15.31R	6.455	+33(7½%-Sep08)	TD Securities
World Bank	100	Feb 2008	6.00	100.10	5.986	-	TD Securities
DANISH KRONER							
BNG(s)	400	Dec 2003	5.125	102.30	4.65	-	BIL
SWEDISH KRONOR							
World Bank	500	Feb 2003	5.375	99.82R	5.417	-	WestLB
NEW ZEALAND DOLLARS							
National Australia Bank	100	Mar 2001	8.00	101.985	7.413	-	Hambros Bank
Bayerische Hypo	100	Mar 2000	8.00	100.875	7.513	-	TD Securities
CZECH KORUNA							
BGB Finance(Ireland)	2bn	Feb 1999	16.00	100.85	15.02	-	WoodCommerz
ESCUDOS							
Unibanco	12bn	Feb 2000	7.66	100.00	7.66	+330(Mar00)	Banco Finantia
GREEK DRACHMA							
GECC	10bn	Feb 2001	11.025	99.7325R	11.74	-	Deutsche MG

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor +10bp. b) $500m launched 21/1/98 was increased to $1bn. c) Callable anytime from 30/1/03. d) Callable on 15/1/02 at 106% falling 2%pa to par. 3-yr equity clawback. e) Callable annually at par. f) Fungible with FFr5bn upon Emu. g) Callable on 17/3/00 at par. g1) 5% to 17/3/00, then 5.1%. h) Redeemed in £. i) Over interpolated yield. j) 4% to 18/3/01, then 6%. k) Callable on 30/3/99 at par. k1) 3-mth Libor -6¼bp to 30/3/99, then +25bp. l) Long 1st coupon. m) Fungible with $500m. Plus 18 days accrued. n) Fungible with DM500m. Plus 59 days accrued. o) Callable on 1/2/03 at 105% falling 1⅔%pa to par. Equity clawback (33⅓%) to 1/2/01 at 110%. p) Oeffentliche Pfandbrief. q) Callable on 11/2/08 and every 5 yrs at par. q1) 3-mth Libor +87½bp to Feb 08, then +187½bp. r) Fungible with £400m. Plus 333 days accrued. s) Short 1st coupon. t) Synthetic Sovereign Investments. Underlying: Brazilian DCBs. u) 3-mth Libor +3bp. v) Collateralised by Paris Club debt of SACE, the Italian export credit agency. Series 1A: average life 1.5 yrs. v1) 3-mth Libor +30bp. v2) Also issued: Series 1B, $135m, 3-mth Libor +40bp, par, 4.5 yrs; Series 2, $55m, 3-mth Libor +55bp, par, 6.25 yrs. Series 3, $60m, 3-mth Libor +75bp, par, 7 yrs. w) Quarterly, long last. x) Callable from May 01 at 103% and from May 02 at par. x1) 3-mth Libor +240bp. y) Issuers option from 25/2/00 to convert to vanilla FRN paying 12-mth Libor +20bp. y1) 12% in yr 1, 6% in yr 2, then 10% - 12-mth Libor. z) Spread relates to French Ecu OATs. A) Collateralised mainly on loans from IBJ's US portfolio. A1) 3-mth Libor +16bp. A2) Amortising: av life 5 yrs. 3-mth Libor +21bp. A3) Class B: $47m, 3-mth Libor +45bp, av life 7 yrs. B) 11% to 25/2/01, then 8%. C) Callable after 5 yrs at par. C1) 5.15% to 17/3/03, then 6%. D) 3-mth Libor +18bp. E) Callable on 25/2/01 at par. E1) 11% in yr 1, 6½% in yrs 2-3, then 15% - 2 x 12-mth Libor. F) Conv into FTSE Eurotop 100 at 2866.71. Callable after 3 yrs at par. G) 5 tranches, backed by commercial mortgages. H) Callable from Feb 03 at 105% falling 1⅔%pa to par. J) Coupons in US$. K) Long 1st & last coupons. L) 6-mth Libor +37½bp. M) Callable in Feb 03 at 104.562% falling 1.521%pa to par. N) Pays in Ecu prior to Emu. O) Fungible with FFr3bn and L300bn upon Emu. Note: Yields are calculated on ISMA basis.

CONTRACTS & TENDERS

CONTRACTS & TENDERS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.0291	+0.0096	162 - 419	21.1166	20.9749	20.9657	3.6	20.8347	3.7	20.3359	3.3	102.3
Belgium	(BFr)	61.6396	-0.0418	880 - 911	61.9100	61.5510	61.4593	3.5	61.0534	3.8	59.5756	3.3	101.6
Denmark	(DKr)	11.3896	+0.0053	845 - 947	11.4390	11.3569	11.3577	3.4	11.2891	[illegible]	11.0443	[illegible]	104.1
Finland	(FM)	9.0502	-0.0002	425 - 579	9.0860	9.0280	9.0217	3.8	8.9617	3.9	8.744	3.4	80.5
France	(FFr)	10.0095	-0.0037	056 - 133	10.0842	9.9865	9.9792	3.6	9.9142	3.8	9.6728	3.4	[illegible]
Germany	(DM)	2.9888	+0.0013	870 - 905	3.0042	2.9800	2.9798	3.6	2.9602	3.8	2.8877	3.4	102.6
Greece	(Dr)	473.463	+0.043	171 - 755	476.101	472.082	476.746	-8.9	485.456	-10.1	512.324	-8.2	64.7
Ireland	(I£)	1.1937	+0.0018	926 - 947	1.1955	1.1905	1.1928	0.9	1.1892	1.5	1.1652	2.4	92.7
Italy	(L)	2948.31	-1.61	651 - 011	2961.43	2941.44	2945.59	1.1	2938.78	1.3	2889.91	2.0	75.1
Luxembourg	(LFr)	61.6396	-0.0418	880 - 911	61.9100	61.5510	61.4593	3.5	61.0534	3.8	59.5756	3.3	101.6
Netherlands	(Fl)	3.3679	-0.0011	664 - 693	3.3851	3.3593	3.3574	3.7	3.3348	3.9	3.2525	3.4	100.9
Norway	(NKr)	12.3902	-0.0554	830 - 973	12.4775	12.3711	12.3533	3.6	12.2788	3.6	12.0296	2.9	96.8
Portugal	(Es)	306.811	-0.084	635 - 986	307.022	304.411	305.213	2.3	303.761	2.7	297.247	2.8	91.2
Spain	(Pta)	253.417	-0.133	315 - 519	254.500	253.040	252.92	2.4	251.724	2.7	246.278	2.8	76.3
Sweden	(SKr)	13.2566	-0.0182	484 - 647	13.3191	13.2146	13.2283	2.6	13.168	2.7	12.9802	2.2	83.8
Switzerland	(SFr)	2.4127	+0.0032	111 - 142	2.4198	2.4059	2.4009	5.9	2.378	6.1	2.2799	5.6	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.0
Ecu	-	1.5143	-0.0001	134 - 151	1.5208	1.5106	1.5107	2.9	1.5029	3.0	1.4714	2.8	-
SDR†	-	1.215473	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6343	-0.004	338 - 348	1.6418	1.6308	-	-	-	-	-	-	-
Brazil	(R$)	1.8363	-0.0028	355 - 370	1.8448	1.8319	-	-	-	-	-	-	-
Canada	(C$)	2.3900	-0.0064	888 - 911	2.4071	2.3868	2.3855	2.3	2.376	2.3	2.3422	2.0	80.8
Mexico	(New Peso)	13.8321	-0.0034	197 - 445	13.9267	13.8197	13.9569	-10.8	14.237	-11.7	15.5121	-12.1	-
USA	($)	1.6350	-0.0035	345 - 355	1.6421	1.6310	1.6326	1.7	1.6276	1.8	[illegible]	1.6	109.6
Pacific/Middle East/Africa													
Australia	(A$)	2.3857	-0.034	837 - 876	2.4506	2.3777	2.3812	2.3	2.3713	2.4	2.3358	2.1	[illegible]
Hong Kong	(HK$)	12.6525	-0.0225	478 - 571	12.7057	12.6248	12.6708	-1.7	[illegible]	-2.8	13.3627	-5.6	-
India	(Rs)	[illegible]	+0.0197	349 - 065	63.5065	63.2830	-	-	-	-	-	-	-
Israel	(Shk)	5.8865	-0.0012	790 - 940	5.9064	5.8731	-	-	-	-	-	-	-
Japan	(Y)	207.316	+2.178	173 - 463	209.240	206.320	206.208	6.4	[illegible]	6.9	194.058	6.4	122.7
Malaysia	(M$)	6.8361	-0.3164	322 - 400	7.1740	6.8322	6.8346	0.3	6.8619	-1.5	7.2472	-6.0	-
New Zealand	(NZ$)	2.7951	+0.0191	926 - 976	2.8388	2.7819	2.7989	-1.6	2.8051	-1.4	2.8246	-1.1	101.9
Philippines	(Peso)	69.7328	-0.3951	480 - 176	70.7854	69.5480	70.4398	-12.2	71.9865	-12.9	78.6572	[illegible]	-
Saudi Arabia	(SR)	6.1322	-0.0183	300 - 343	6.1589	6.1179	6.1254	1.3	[illegible]	1.4	6.0598	1.2	-
Singapore	(S$)	[illegible]	-0.0191	040 - 106	2.8381	2.7990	2.8098	-1.1	2.8157	-1.2	2.858	-1.8	-
South Africa	(R)	8.0720	+0.0032	671 - 769	8.1098	8.0425	8.1192	-7.0	8.2191	-7.3	[illegible]	-6.7	-
South Korea	(Won)	2491.74	-258.5	444 - 904	2739.30	2479.18	-	-	-	-	-	-	-
Taiwan	(T$)	55.6886	-0.1191	685 - 708	55.7706	55.5685	55.6071	1.3	55.4677	1.4	54.9404	1.3	-
Thailand	(Bt)	86.2464	-3.92	747 - 180	90.1830	85.7050	86.8498	-8.4	88.3759	-9.9	94.4887	[illegible]	-

† Rates for Jan 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http//www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8618	+0.0333	579 - 657	12.8980	12.8010	12.8414	[illegible]	12.8013	1.9	12.6443	1.7	102.0
Belgium	(BFr)	37.7000	+0.055	800 - 200	37.8200	37.5430	37.6435	1.8	37.5125	2.0	37.0425	1.7	101.7
Denmark	(DKr)	6.9661	+0.0181	651 - 671	6.9845	6.9309	6.9568	1.6	6.9363	1.7	6.8671	1.4	103.5
Finland	(FM)	5.5353	+0.0117	323 - 383	5.5485	5.5085	5.5256	2.1	5.5063	2.1	5.4368	1.5	79.3
France	(FFr)	6.1220	+0.0108	215 - 225	6.1478	6.0965	6.1121	1.9	6.0915	2.0	6.0144	1.8	104.4
Germany	(DM)	1.8280	+0.0047	275 - 285	1.8345	1.8168	1.8251	1.9	1.8188	2.0	[illegible]	1.8	102.3
Greece	(Dr)	289.580	+0.845	490 - 670	290.520	287.670	292.005	-10.0	293.275	-12.0	[illegible]	-10.0	64.5
Ireland	(I£)	1.3698	-0.005	690 - 705	1.3770	1.3675	1.3683	0.8	1.3687	0.3	1.3803	-0.8	-
Italy	(L)	1803.25	[illegible]	270 - 380	[illegible]	1794.00	1804.16	-0.5	1805.55	-0.5	1796.86	0.4	74.8
Luxembourg	(LFr)	37.7000	+0.055	800 - 200	37.8200	37.5490	37.6435	1.6	37.5125	2.0	37.0425	1.7	101.7
Netherlands	(Fl)	2.0599	+0.0037	596 - 601	2.0675	2.0502	2.0564	2.0	2.049	2.1	2.0223	1.8	100.9
Norway	(NKr)	7.5781	-0.0176	760 - 801	7.6180	7.5444	7.5663	1.9	7.5443	1.8	7.4797	1.3	85.6
Portugal	(Es)	187.040	[illegible]	[illegible]	187.600	186.150	186.941	0.6	186.637	[illegible]	184.82	1.2	[illegible]
Spain	(Pta)	154.995	+0.25	[illegible]	155.500	154.370	154.912	0.6	154.665	0.9	153.15	1.2	76.0
Sweden	(SKr)	8.1080	+0.0062	055 - 105	[illegible]	8.0637	8.1022	0.9	8.0907	0.9	8.0583	0.6	83.4
Switzerland	(SFr)	1.4756	+0.0051	751 - 761	1.4795	1.4690	1.4705	4.2	1.4592	4.3	1.4176	[illegible]	107.9
UK	(£)	1.6350	-0.0035	345 - 355	1.6421	1.6310	1.6326	1.7	1.6276	1.8	1.6082	1.6	104.5
Ecu	-	1.0795	+0.0022	795 - 800	1.0850	1.0775	1.0803	-1.1	1.0831	-1.2	1.0931	-1.2	-
SDR†	-	0.73934	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	[illegible]	[illegible]	0.9996	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.1231	+0.0007	230 - 232	1.1237	1.1230	-	-	-	-	-	-	-
Canada	(C$)	1.4618	-0.0006	615 - 620	1.4671	1.4590	1.4611	0.6	1.4599	0.5	1.4564	0.4	80.7
Mexico	(New Peso)	8.4600	+0.015	550 - 650	8.4750	8.4550	8.5485	-12.6	8.7475	-13.6	9.645	-14.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.5
Pacific/Middle East/Africa													
Australia	(A$)	1.4591	-0.0177	584 - 599	1.4970	1.4548	1.4582	0.7	1.4557	0.9	1.445	1.0	88.2
Hong Kong	(HK$)	7.7385	+0.0025	380 - 390	7.7390	7.7380	7.7605	-3.4	7.8288	-4.7	8.3085	-7.4	-
India	(Rs)	38.8200	+0.095	100 - 300	38.8300	38.8000	-	-	-	-	-	-	-
Israel	(Shk)	3.6003	+0.007	968 - 038	3.6168	3.5930	-	-	-	-	-	-	-
Japan	(Y)	126.800	+1.6	750 - 850	127.750	125.850	126.3	4.7	125.165	5.2	120.66	4.8	125.5
Malaysia	(M$)	[illegible]	-0.1842	800 - 822	4.3800	4.1600	4.7861	-1.4	4.2161	-3.3	4.5061	-7.8	-
New Zealand	(NZ$)	1.7095	+0.0153	085 - 105	1.7331	1.7036	1.7126	-2.2	1.716	-2.0	1.7366	-1.6	-
Philippines	(Peso)	42.6500	-0.15	500 - 500	43.4000	42.5500	43.144	-13.9	44.23	-14.8	48.9065	-14.7	-
Saudi Arabia	(SR)	3.7506	-0.0001	504 - 507	3.7507	3.7504	3.7517	-0.4	3.7543	-0.4	3.7679	-0.5	-
Singapore	(S$)	1.7170	-0.006	155 - 185	1.7334	1.7100	1.721	-2.8	1.73	-3.0	1.777	-3.5	-
South Africa	(R)	4.9370	+0.0125	355 - 385	4.9470	4.9240	4.973	-8.8	5.05	-9.2	5.364	-8.4	-
South Korea	(Won)	1524.00	-154.5	000 - 600	1600.00	1514.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.0480	-	960 - 000	34.1000	33.9960	34.049	-0.4	34.0805	-0.4	34.1605	-0.3	-
Thailand	(Bt)	52.7500	-2.25	000 - 000	55.5000	51.7000	53.135	-10.1	54.3	-11.8	58.75	-11.4	-

† SDR rate per $ for Jan 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 29: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http//www.FT.com

WORLD INTEREST RATES

MONEY RATES

January 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	6	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	[illegible]	6.23
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	1	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.33	5.37	5.40	5.42	-	-	-
week ago	-	5.33	5.36	[illegible]	5.41	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

The FT intends to replace the Libor FT London interbank fixing rate with the BBA London rate on 30/2/98. Any comments should be sent to Martin Dickson, Financial Editor, at the FT. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	5 - [illegible]	6 - [illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7½ - 7	[illegible]	[illegible]	7½ - [illegible]	7½ - [illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible] - 1	[illegible]	[illegible]	1½ - 1¼
Canadian Dollar	[illegible]	[illegible]	5 - [illegible]	[illegible] - 5	[illegible] - 5	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	6½ - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	9 - 2	12 - 8	11 - 8½	11 - 9½	11 - 9

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.42	-	94.44	94.40	140,397	489,340
Jun	94.51	94.51	-	94.53	94.48	188,007	417,485
Sep	94.53	94.52	-	94.55	94.49	159,630	311,721

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.13	95.14	-	95.14	95.12	570	6,695
Jun	95.21	95.19	-	95.22	95.19	168	2,376
Sep	-	95.22	+0.03	95.23	-	20	79

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.34	4.849	1.936	4783	5.464	20.10	496.1	411.1	21.51	3.914	1.622	3.877	2.653	336.3	2.457
Denmark	(DKr)	54.12	10	8.785	2.624	1.048	2589	2.957	10.88	268.5	222.5	11.64	2.118	0.878	2.098	1.436	182.0	1.329
France	(FFr)	61.58	11.38	10	2.986	1.192	2946	3.365	12.38	305.5	253.2	13.24	2.410	0.999	2.388	1.633	207.1	1.513
Germany	(DM)	20.62	3.811	3.349	1	0.399	986.5	1.127	4.146	102.3	84.79	4.435	0.807	0.335	0.800	0.547	69.37	0.507
Ireland	(I£)	51.64	9.542	8.386	2.504	1	2470	2.822	10.38	256.2	212.3	11.11	2.021	0.838	2.002	1.370	173.7	1.269
Italy	(L)	2.091	0.386	0.340	0.101	0.040	100	0.114	0.420	10.37	8.595	0.450	0.082	0.034	0.081	0.055	7.032	0.051
Netherlands	(Fl)	18.30	3.382	2.972	0.887	0.354	875.4	1	3.679	90.80	75.24	3.936	0.716	0.297	0.710	0.485	61.56	0.450
Norway	(NKr)	49.75	9.192	8.079	2.412	0.963	2380	2.718	10	246.8	204.5	10.70	1.947	0.807	1.929	1.320	167.3	1.222
Portugal	(Es)	20.16	3.724	3.273	0.977	0.390	964.1	1.101	4.052	100	82.87	4.335	0.789	0.327	0.782	0.535	67.78	0.495
Spain	(Pta)	24.32	4.494	3.950	1.179	0.471	1163	1.329	4.889	120.7	100	5.231	0.952	0.395	0.943	0.645	81.81	0.598
Sweden	(SKr)	46.50	8.592	7.551	2.255	0.900	2224	2.541	9.346	230.7	191.2	10	1.820	0.754	1.803	1.233	156.4	1.142
Switzerland	(SFr)	25.55	4.721	4.149	1.239	0.495	1222	1.396	5.136	126.8	105.0	5.495	1	0.414	0.991	0.678	85.93	0.628
UK	(£)	61.64	11.39	10.01	2.989	1.194	2948	3.368	12.39	305.8	253.4	13.26	2.413	1	2.390	1.635	207.3	1.514
Canada	(C$)	25.79	4.765	4.188	1.251	0.499	1234	1.409	5.184	128.0	106.0	5.547	1.009	0.418	1	0.684	86.74	0.634
USA	($)	37.70	6.966	6.122	1.828	0.730	1803	2.060	7.578	187.0	155.0	8.108	1.476	0.612	1.462	1	126.8	0.926
Japan	(Y)	29.73	5.494	4.828	1.442	0.576	1422	1.625	5.976	147.5	122.2	6.394	1.164	0.482	1.153	0.789	100	0.730
Ecu	-	40.71	7.522	6.611	1.974	0.788	1947	2.224	8.183	202.0	167.4	8.755	1.593	0.660	1.578	1.080	136.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5484	0.5479	-0.0005	0.5514	0.5460	35,240	77,025
Jun	0.5500	0.5508	-0.0005	0.5538	0.5499	54	3,459
Sep	0.5531	0.5530	-0.0005	0.5555	0.5526	31	1,548

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	[illegible]	0.6809	-0.0016	0.6845	0.6779	15,677	49,934
Jun	[illegible]	0.6881	-0.0016	0.6910	0.6855	69	1,249
Sep	-	0.6961	-0.0016	0.6970	0.6925	1	1,114

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8004	0.7915	-0.0096	0.8007	0.7875	21,940	93,030
Jun	0.8001	0.8015	-0.0096	0.8036	0.7980	102	2,629
Sep	-	0.8114	-0.0101	-	-	7	517

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6384	1.6288	-0.0076	1.6390	1.6258	4,981	[illegible]
Jun	1.6230	1.6210	-0.0076	1.6320	[illegible]	46	1,536
Sep	-	1.6136	-0.0076	1.6240	1.6130	1	4

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.630	1.33	2.10	2.59	1.09	2.02	2.68
1.640	0.87	1.65	2.17	1.66	2.53	3.24
1.650	0.54	1.27	1.78	2.25	3.15	-

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
0.545	0.61	0.98	1.23	0.39	0.67	0.85
0.550	0.37	0.72	0.97	0.62	0.92	1.08
0.555	0.21	0.52	0.78	0.98	1.22	1.38

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

UK INTEREST RATES

LONDON MONEY RATES

Jan 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6¾	[illegible]	[illegible]	[illegible]	7½ - [illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible] - 7½	[illegible]	[illegible]
Treasury Bills	-	-	7¼ - 7⅛	[illegible]	-	-
Bank Bills	-	-	[illegible] - 7⅛	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	7¼ - [illegible]	[illegible]	[illegible]	7½ - [illegible]	7½ - 7⅜
Discount Market deps	7¼ - [illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 30 6.7291pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 30, 1998. Agreed rate for period Feb 25, 1998 to Mar 24, 1998, Scheme III 8.81pc. Reference rate for period Jan 1, 1998 to Jan 30, 1998, Schemes IV & V 7.689pc. Finance House Base Rate 8pc from Feb 1, 1998

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 30	Jan 23
Bills on offer	£100m	£100m
Total of applications	£363m	£580m
Total allocated	£100m	£100m
Min. accepted bid	£98.320	£98.330
Allotment at min. level	81%	99%

	Jan 30	Jan 23
Top accepted rate	6.7385%	6.6984%
Ave. rate of discount	6.7291%	6.6879%
Average yield	6.8438%	6.8013%
Offer at next tender	£100m	£100m
Min. accept. bid 28 days	-	-

■ **Pound in New York**

Jan 30	-Close-	-Prev. close-
£ spot	1.6340	1.6395
1 mth	1.6317	1.6372
3 mth	1.6265	1.6316
1 yr	1.6073	1.6124

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk.	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	1997/98 High	1997/98 Low	Since comp. High	Since comp. Low
FTSE 100	5458.5	5422.4	5372.6	5326.3	5237.2	5458.5	5068.8	5458.5	986.9
FTSE 250	4867.5	4838.3	4819.1	4789.2	4734.7	4880.0	4789.2	4953.8	1379.4
FTSE 250 ex IT	4892.9	4867.9	4858.2	4822.5	4832.8	4920.7	4806.3	4985.8	1378.3
FTSE 350	2602.9	2586.5	2565.3	2544.3	2510.0	2602.9	2444.7	2548.4	664.5
FTSE SmallCap	2372.68	2368.19	2360.69	2356.92	2359.84	2372.86	2320.18	2466.26	1363.79
FTSE SmallCap ex IT	2365.33	2361.11	2355.39	2355.81	2363.80	2368.17	2316.19	2402.72	1363.79
FTSE All-Share	2536.86	2521.45	2501.61	2482.08	2481.00	[illegible]	[illegible]	[illegible]	61.92
FTSE Fledgling	1292.70	1288.92	1286.18	1283.64	1284.63	1292.70	1265.77	1346.52	31.14
FTSE Eurotrack 100	2817.72	2811.89	2781.57	2749.02	2733.14	2817.72	2652.62	2817.72	900.45
FTSE Eurotrack 200	2858.83	2861.30	2826.30	2788.85	2763.42	2861.30	2671.83	2861.30	936.62
FT 30	3358.6	3340.8	3336.1	3305.7	3265.9	3391.2	3236.4	3430.3	49.4
FT Govt Securities	103.12	102.92	102.71	103.23	102.97	103.92	101.52	127.40	49.18
FT Fixed Interest	138.25	137.80	138.10	138.30	138.29	139.27	135.85	139.27	50.53
FTSE Gold Mines	1117.83	1125.50	1130.00	1127.62	1111.88	[illegible]	929.38	2074.61	803.02

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	1997/98 Low	Stock	Closing price p	+or-
520	Nil	13/2	58pm	41½pm	Derwent Valley	41½pm	-8

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin ¢	93½		-	-	-	-
§26	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
135	F.P.	5.06	144½	139½	†Longmead	140½		L5.01	2.9	4.5	9.6
§110	F.P.	113.6	124½	93	Marchpole	97½	-½	R8.65	2.1	4.7	13.0
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§	F.P.	-	6	5	Sanctuary Wts	6¼	+¼	-	-	-	-
§	F.P.	174.8	112	98½	Second Scot Natl	109½	-½	-	-	-	12.8
§	F.P.	101.9	101½	99½	Do Zero Div Prf	101½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday January 28, 1998	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,198,373,927	+309,478,529
Bankers deposits	2,724,626,123	-4,416,600
Reserve and other accounts	4,526,679,369	-505,419,402
	8,464,232,419	-200,357,473
Assets		
Government securities	1,369,105,743	+110,000
Advance and other accounts	6,637,123,162	-199,924,245
Premise, equipment and other secs	452,612,536	-936,024
Notes	5,249,125	+397,272
Coin	141,853	-4,476
	8,464,232,419	-200,357,473
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,954,750,875	-40,397,272
Notes in Banking Department	5,249,125	+397,272
	21,960,000,000	-40,000,000
Assets		
Other Government securities	10,101,375,418	-2,661,984,449
Other Securities	11,858,624,582	+2,621,984,449
	21,960,000,000	-40,000,000

FTSE GOLD MINES INDEX

	Jan 30	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1117.83	+5.8	[illegible]	100.00	2.46	-	1907.49	891.23
■ Regional Indices								
Africa (15)	1202.75	+8.9	7.34	23.63	5.75	21.59	2333.56	921.78
Australasia (7)	1420.03	+22.8	4.03	12.99	2.49	18.17	[illegible]	933.63
North America (12)	1058.38	+1.6	19.68	63.38	1.22	39.40	1780.66	864.86

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UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 4⅝pc 1998‡‡		116½	0.1	800	Ap27 Oc27	20.10	1753
Treas 7¼pc 1998‡‡		100	—	8,150	Sa30 Mr30	22.9	1788
Treas 15½pc '98‡‡		[illegible]	-1	935	Mr30 Sa30	22.9	1308
Exch 12pc 1998		[illegible]	-1	3,969	My20 Nv20	9.5	1259
Treas 9½pc 1999‡‡		[illegible]	—	1,900	Jy15 Ja15	12.1	1347
Treas Fltg Rate 1999‡‡		100½	—	5,700	MrJeSeDe	29	4945
Exch 12¼pc 1999		[illegible]	—	3,050	Sa26 Mr26	22.9	1264
Treas 10½pc 1999		[illegible]	—	1,252	Nv18 My19	8.5	1288
Treas 6pc 1999 ‡‡		99¼	0.1	6,950	Fe10 Au10	31.7	3635
Conv 10¼pc 1999		105⅛	—	1,798	My22 Nv22	13.5	1242
Treas 8½pc 2000	⁂	[illegible]	0.1	109	Jy28 Ja28	26.1	-
Conv 9pc 2000‡‡		104½	0.1	5,358	Sa3 Mr3	22.8	1244
Treas 13pc 2000		114¾	—	3,171	Ja14 Jy14	5.7	1289
Treas 14pc 1998-1		102⅞	-1	970	Mr22 My22	13.5	1308
Treas 8pc 2000‡‡		104	0.1	8,800	Ja7 De7	29.5	4946
Treas Fltg Rate 2001		100⅛	—	3,000	9DeJaApJy	7.7	-
Treas 10pc 2001		109¼	0.1	4,406	Au26 Fe26	14.8	1280
Conv 9¾pc 2001‡‡	⁂	109¼	0.1	3	Ja12 Jy12	5.1	-
Conv 9¾pc 2001	⁂	[illegible]	0.1	35	Fe10 Au10	31.7	-
Treas 7pc 2001 ‡‡		102⅝	0.2	12,750	My6 Nv6	24.4	3031
Exch 12pc 1999-2	⁂	104⅛	-1	105	Jy22 Ja22	19.1	-
Conv 10pc 2002	⁂	113½	0.2	21	Oc11 Ap11	8.10	-
Treas 7pc 2002‡‡		[illegible]	0.2	9,000	De7 Je7	29.5	-
Five to Fifteen Years							
Conv 9¾pc 2002	⁂	112¼	0.2	2	De14 Ja14	5.6	-
Treas 9¾pc 2002		113⅛	0.2	6,527	Fe27 Au27	15.8	1349
Exch 9pc 2002	⁂	[illegible]	0.2	83	My19 Nv19	8.5	-
Conv 9½pc 2003‡‡	⁂	115⅛	0.2	11	Nv7 My7	25.4	-
Treas 8pc 2003‡‡		108	0.1	8,600	Ja10 De10	30.5	2010
Treas 6½pc 2003		[illegible]	0.1	2,600	-	-	-
Treas 10pc 2000-3	⁂	116⅞	—	58	Ja25 Jy25	19.7	-

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 10pc 2003		[illegible]	0.1	2,503	Mr8 Sa8	28.8	1281
Treas 11½pc 2001-4		[illegible]	0.1	1,620	Sa19 Mr19	10.9	1290
Treas 10pc 2004	⁂	119⅛	0.1	23	Nv18 My18	8.5	-
Funding 3½pc 1999-4		91⅞	0.1	543	Ja14 Jy14	5.1	1274
Conv 9½pc 2004		117⅞	—	3,412	Ap25 Oc25	20.10	1246
Treas 6¾pc 2004‡‡		103⅞	0.1	6,500	My26 Nv26	15.5	3541
Conv 9½pc 2005		[illegible]	—	4,842	Oc18 Ap18	13.10	1247
Exch 10½pc 2005	⁂	[illegible]	0.1	23	Mr20 Sa20	11.9	-
Treas 12½pc 2003-5		[illegible]	0.1	2,200	My21 Nv21	12.5	1285
Treas 8½pc 2005‡‡		114½	—	10,373	Je7 De7	29.5	4946
Conv 9¾pc 2006	⁂	124½	0.1	6	My15 Nv15	6.5	-
Treas 7½pc 2006‡‡		[illegible]	0.1	11,700	Je7 De7	29.5	1148
Treas 7¾pc 2006‡‡		[illegible]	—	4,000	Mr8 Sa8	28.8	2300
Treas 8pc 2002-6‡‡		[illegible]	0.1	2,050	Ap5 Oc5	25.9	1334
Treas 11¾pc 2003-7		127⅞	0.1	3,150	Jy22 Ja22	13.1	1293
Treas 8½pc 2007 ‡‡		[illegible]	0.1	7,397	Ja16 Jy16	12.1	1339
Treas 7¼pc 2007‡‡		107⅞	0.1	9,000	Je7 De7	29.5	-
Treas 13½pc 2004-8	⁂	[illegible]	0.1	95	Sa26 Mr26	22.9	-
Treas 9pc 2008 ‡‡		123⅞	—	6,621	Ap13 Oc13	6.10	1343
Treas 8pc 2009		118⅞	—	3,450	Mr25 Sa25	16.9	1336
Treas 6¼pc 2010‡‡		[illegible]	0.1	4,750	Mr25 Nv25	15.5	4632
Conv 9pc Ln 2011 ‡‡		[illegible]	0.1	5,273	Jy12 Ja12	5.1	1246
Treas 9pc 2012‡‡		[illegible]	0.1	5,360	Fe6 Au6	26.1	1701
Treas 5½pc 2008-12‡‡		95⅞	-2	1,000	Mr10 Se10	1.9	1330
Treas 7¾pc 2012-15‡‡		[illegible]	-1	800	Jy26 Ja26	15.1	1332
Over Fifteen Years							
Treas 8pc 2013‡‡		118⅞	—	6,100	Mr27 Se27	22.9	2229
Treas 8pc 2015‡‡		[illegible]	-1	13,787	Je7 De7	29.5	4992
Treas 8¾pc 2017‡‡		130⅞	-1	7,550	Fe25 Au25	14.8	1882
Exch 12pc 2013-17	⁂	158⅞	0.1	57	Je12 De12	3.6	-
Treas 8pc 2021‡‡		124⅞	-2	16,500	Je7 De7	29.5	-
Undated							
Consols 4pc		[illegible]	-3	359	Au1 Fe1	28.1	1239
War Loan 3½pc‡‡		57⅛	-3	1,909	Je1 De1	16.5	1362
Conv 3½pc '61 Aft		74⅛	-2.8	115	Ap1 Oc1	[illegible]	1345
Treas 3pc '66 Aft		45⅝	-1.1	56	Ap5 Oc5	29.9	1324
Consols 2½pc		40⅛	-1.2	276	5JaApJyOc	22.12	1238
Treas. 2½pc		39⅞	-4	475	Ap1 Oct	22.9	1318

Index-Linked (b)	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
2½pc '99	⁂	190⅛	0.7	2	My22 Nv22	13.5	-
2½pc '01	(78.3)	196⅞	0.2	2,150	Mr24 Se24	15.9	1316
2½pc '03	(78.8)	193½	0.7	2,400	My20 Nv20	9.5	1317
4⅜pc '04‡‡	(135.6)	124⅞	—	1,150	Ap21 Oc21	13.10	1255
2pc '06	(69.5)	[illegible]	-1	2,500	Ja19 Jy19	12.1	1314
2½pc '09	(78.8)	[illegible]	-3	2,635	My20 Nv20	9.5	1316
2½pc '11	(74.6)	195⅞	-4	3,100	Fe23 Au23	14.8	1319
2½pc '13	(89.2)	[illegible]	-4	3,750	Fe16 Au16	7.8	1320
2½pc '16	(81.6)	[illegible]	-5	3,825	Ja26 Jy26	19.1	1321
2½pc '20	(83.0)	[illegible]	-5	3,700	Ap16 Oc16	13.10	1322
2½pc '24‡‡	(97.7)	143⅞	-8	3,850	Ja17 Jy17	12.1	1323
4⅛pc '30‡‡	(135.1)	[illegible]	-5	1,300	Ja16 Jy22	19.1	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1997: 156.9 and for December 1997: 160.0.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		[illegible]	-3	100	Mr24 Se24	24.3	-
B'ham 11½pc 2012		142½	-7	45	My15 Nv15	20.10	1837
Leeds 13½pc 2006		142½	-7	40	Ap1 Oc1	10.9	3146
Liverpool 3½pc Irred		51	—	5	1ApJyOcJa	7.12	-
LCC 3pc '20 Aft		45	—	26	1MrJeSeDe	1.8	-
Manchester 11½pc 2007		133½	-7	6	Ap25 Oc25	29.9	3275
Met. Wtr. 3pc 'B'		87	—	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021		[illegible]	—	60	Ja30 Jy30	22.12	3465
4¼pc IL 2024		159½	—	50	Au23 Fe23	14.7	-

● Tap stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ⁂ Indicative price.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% chnge	Div net	Div cov	Mid capm	Last xd	City line
Anglo Am Ind R		[illegible]	–	[illegible]	–	1,793	28.8	–
Barlow	♣	[illegible]	16.3	[illegible]	–	1,169	8.12	–
Gold Flds Prop R		[illegible]	–1.9	[illegible]	1.5	10.9	1.8	–
SA Brews	†	[illegible]	13.7	[illegible]	–	[illegible]	1.12	4113
Standard Bank		[illegible]	5.5	[illegible]	–	[illegible]	29.8	–
Tiger Oats		[illegible]	15.0	[illegible]	♣	1,216	8.12	–
Tongaat-Hulett		783	1.9	[illegible]	♣	731.2	8.12	–

TRADED INDEX SECURITIES

	Notes	Price	Wk% chnge	Div net	Div cov.	Mid capm	Last xd	City line
FTSE 100 TRANS		[illegible]	3.4	–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Rule 21(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. k Assumed dividend after scrip issue. m Interim higher than previous total. o Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend, cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Comland Commercial** (AIM), **Bolton** (Prop), **Debenhams** (RtlG). **Deletions: Scotswood Inds** (AIM), **Appleyard** (Dstb), **Ocean Res** (ExIn), **Visual Action** (Med), **Virtuality Grp** (SpSv).

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BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

LUXEMBOURG (FSA RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 30 / Sch)

BELGIUM/LUXEMBOURG (Jan 30 / Frs.)

CZECH REP (Jan 30 / Koruna)

DENMARK (Jan 30 / Kr)

FINLAND (Jan 30 / Mks)

FRANCE (Jan 30 / Frs.)

GERMANY (Jan 30 / Dm.)

GREECE (Jan 30 / Drachma)

ITALY (Jan 30 / Lira)

NETHERLANDS (Jan 30 / Fl.)

NORWAY (Jan 30 / Kroner)

POLAND (Jan 30 / Zloty)

PORTUGAL (Jan 30 / Escudo)

SPAIN (Jan 30 / Pta.)

SWEDEN (Jan 30 / Kronor)

SWITZERLAND (Jan 30 / Fr.)

TURKEY (Jan 28 / Tk Lira)

PACIFIC

JAPAN (Jan 30 / Yen)

HONG KONG (Jan 27 / H.K.$)

INDONESIA (Jan 26 / Rupiah)

MALAYSIA (Jan 28 / MYR)

NEW ZEALAND (Jan 30 / NZ $)

SINGAPORE (Jan 27 / S$)

AUSTRALIA (Jan 30 / Aus$)

SOUTH KOREA (Jan 30 / Won)

TAIWAN (Jan 22 / TW $)

THAILAND (Jan 30 / Baht)

AFRICA

SOUTH AFRICA (Jan 30 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 30 / Can $)
4 pm close

MONTREAL (Jan 30 / Can $)
4 pm close

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 30 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY JANUARY 29 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	212.11	6.0	192.33	170.01	201.57	205.84	0.8	3.69	208.84	188.96	165.28	197.96	205.13	243.87	190.26	213.66
Austria (29)	195.81	3.6	177.55	156.95	186.09	185.97	6.3	1.78	194.17	175.68	153.66	184.05	183.93	213.59	175.14	182.27
Belgium (26)	265.94	4.5	241.14	213.15	252.74	247.25	8.3	2.79	265.09	239.86	209.80	251.28	246.10	267.34	227.73	230.95
Brazil (30)	221.20	-7.2	200.57	177.30	210.22	457.29	-6.7	1.81	223.34	202.08	176.75	211.71	461.42	322.44	184.94	207.68
Canada (121)	208.55	-1.8	189.10	167.16	198.19	220.75	0.3	1.80	209.00	189.11	165.41	198.12	221.35	233.66	178.27	188.38
Denmark (34)	455.22	1.7	412.77	364.87	432.62	431.90	3.5	1.19	458.56	414.91	362.90	434.67	433.33	466.33	348.27	353.53
Finland (28)	301.02	8.1	272.95	241.27	286.08	349.69	9.9	1.80	300.59	271.99	237.89	284.93	349.45	349.43	243.25	254.19
France (81)	246.28	2.9	223.31	197.40	234.05	236.50	4.7	2.28	243.71	220.52	192.88	231.02	233.68	248.28	209.81	216.84
Germany (58)	236.03	2.9	214.02	189.18	224.31	224.31	4.6	1.36	235.32	212.92	186.23	223.06	223.06	243.87	187.39	187.39
Hong Kong, China (66)	298.77	-16.3	270.91	239.47	283.93	296.83	-16.4	5.38	298.87	270.42	236.53	283.30	296.82	580.09	262.93	491.67
Indonesia (27)	46.00	-30.4	41.71	36.87	43.72	296.33	33.0	2.27	44.11	39.91	34.91	41.82	296.33	254.90	27.67	245.14
Ireland (16)	421.98	5.1	382.63	338.22	401.03	434.11	9.4	2.28	416.72	377.06	329.79	395.01	427.11	421.98	321.33	323.91
Italy (53)	129.60	10.2	117.51	103.88	123.17	174.53	12.3	1.40	127.90	115.72	101.22	121.23	171.96	129.60	83.01	92.53
Japan (481)	104.48	9.7	94.74	83.75	99.30	83.75	6.9	0.95	107.09	96.89	84.75	101.51	84.75	141.12	88.52	111.98
Malaysia (107)	147.61	-10.2	133.85	118.31	140.28	237.70	-3.5	3.05	141.38	127.93	111.89	134.02	237.70	660.85	113.56	621.34
Mexico (26)	1533.53	-14.8	1390.53	1229.15	1457.40	14184.76	-10.8	1.69	1600.60	1357.77	1187.58	1422.43	13853.94	1901.98	1324.80	1331.11
Netherlands (19)	413.64	0.9	375.07	331.54	393.10	388.89	2.5	2.16	413.52	374.16	327.26	391.96	388.06	440.87	326.42	328.86
New Zealand (14)	74.61	-2.1	67.64	59.97	71.10	67.91	-2.8	4.55	74.96	67.83	59.32	71.06	67.44	96.47	71.49	92.17
Norway (38)	296.43	-7.2	268.76	237.69	281.71	304.90	-4.6	1.98	295.67	267.53	234.00	280.27	304.83	374.64	281.62	313.70
Philippines (22)	78.15	-1.5	70.86	62.64	74.27	166.11	5.3	1.16	70.72	63.99	55.97	67.03	150.84	214.07	57.54	210.84
Singapore (42)	177.09	-21.4	160.57	141.94	168.29	140.12	-19.9	2.29	176.26	159.49	139.50	167.08	140.12	448.01	144.01	434.90
South Africa (43)	277.75	4.7	251.85	222.63	263.96	299.72	6.2	2.78	276.09	249.81	218.50	261.71	297.17	370.12	227.86	324.29
Spain (33)	292.72	7.7	265.43	234.62	278.19	343.72	9.5	2.04	292.73	264.87	231.67	277.48	343.17	298.08	206.12	213.49
Sweden (49)	475.90	1.4	431.52	381.44	452.27	571.22	3.6	1.82	477.33	431.90	377.76	452.46	572.50	538.94	405.00	420.56
Switzerland (31)	353.16	3.8	320.23	283.07	335.63	323.08	4.8	1.04	351.42	317.97	278.12	333.12	320.38	353.16	240.99	240.99
Thailand (39)	27.42	42.1	24.86	21.98	26.06	56.13	55.6	5.14	22.52	20.37	17.82	21.34	48.09	96.92	13.10	96.92
United Kingdom (213)	347.65	4.8	315.23	278.65	330.39	315.23	5.5	3.13	346.17	313.22	273.96	328.14	313.22	347.65	271.72	273.81
USA (638)	399.82	0.9	362.53	320.46	379.97	399.82	0.9	1.57	401.75	363.51	317.95	380.82	401.75	401.75	299.79	319.29
Americas (815)	361.98	0.5	328.22	290.13	344.00	305.94	0.7	1.58	363.62	329.01	287.77	344.68	307.34	365.75	274.59	282.15
Europe (702)	300.78	4.0	272.73	241.08	285.85	288.78	5.4	2.23	299.45	270.95	236.99	283.85	286.89	300.78	237.57	237.57
Nordic (149)	418.66	1.5	379.62	335.56	397.87	497.00	3.7	1.72	419.73	379.78	332.18	397.86	437.67	464.93	355.77	388.55
Pacific Basin (871)	111.89	5.7	101.45	89.68	106.33	91.18	3.5	1.61	113.82	102.99	90.07	107.89	91.99	158.99	95.32	133.54
Euro-Pacific (1573)	190.68	4.8	172.90	152.83	181.21	165.51	4.8	2.02	191.26	173.05	151.36	181.29	165.30	209.12	172.03	176.66
North America (759)	387.53	0.8	351.39	310.61	368.29	387.75	0.8	1.56	389.36	352.30	308.14	369.08	389.58	389.57	292.34	312.00
Europe Ex. UK (489)	269.06	3.6	243.97	215.65	255.70	267.12	5.4	1.72	267.84	242.35	211.97	253.89	265.35	269.06	212.87	212.87
Pacific Ex. Japan (390)	185.33	-7.5	168.05	148.55	176.13	185.89	-8.1	4.20	182.96	165.54	144.79	173.43	185.13	318.98	181.31	312.36
World Ex. US (1793)	193.63	3.9	175.57	155.19	184.01	171.75	4.2	2.01	194.15	175.67	153.65	184.04	171.53	212.89	175.30	180.33
World Ex. UK (2218)	251.72	2.1	228.24	201.76	239.22	229.74	2.1	1.62	252.92	228.85	200.16	239.74	230.39	262.69	211.16	219.88
World Ex. Japan (1950)	337.60	1.4	306.30	270.75	321.03	333.78	1.9	1.91	339.07	305.89	267.55	320.46	333.90	344.35	271.90	282.04
The World Index (2431)	259.83	2.4	235.60	208.26	249.93	237.32	2.5	1.79	260.82	235.99	206.41	247.23	237.85	268.47	216.61	224.59

 CHANGES EFFECTIVE 2/2/98: Addition: Gold Fields Limited (Medium-Small Cap) (South Africa). Deletion: Kloof Gold Mining (South Africa). Group Change: Grupo Financiero Bancomer CL L (Commercial Banks & Other Banks (112) to Financial Institutions (121)) (Mexico). CHANGE EFFECTIVE 3/2/98: Addition: Banca di Roma (Large Cap) (Italy). CHANGES DURING WEEK ENDING 30/1/98: Additions: Debenhams (Medium-Small Cap) (UK), Radn (A & B) (Large Cap) (Denmark). Deletion: Caliber Systems (USA). Name changes: Burton Group to Arcadia Group (UK) and Federal Express to FDX Holding Corp. (USA). Markets closed 30/1/98: Hong Kong, Indonesia, Malaysia and Singapore.

Emerging markets: IFC Investable indices

Dollar terms

Jan 29 Market		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,021.37	-0.7	-8.5
Brazil	452.82	-0.7	-6.2
Chile	537.08	-0.1	-16.4
Colombia[1]	738.84	+0.7	-10.5
Mexico	653.85	-2.0	-17.0
Peru[2]	186.70	+0.4	-11.2
Venezuela[3]	745.10	+3.8	-16.6
East Asia			
China[4]	39.32		-28.9
Korea[5]	34.37		+43.1
Philippines	100.83	-0.6	-10.6
Taiwan, China[6]	135.19		-4.2
South Asia			
India[7]	74.57		-10.8
Indonesia[8]	21.03	-5.0	-37.5
Malaysia	78.62	-0.2	-13.7
Pakistan[9]	229.78		-7.5
Sri Lanka[10]	110.27	-0.0	-5.2
Thailand	54.12	+3.3	+15.1
Europe/Mideast/Africa			
Czech Rep	50.33	-0.8	-8.0
Egypt	87.37		-6.3
Greece	239.74	-1.8	-7.5
Hungary[4]	285.71	-2.2	-8.9
Israel	110.45	+1.0	-9.3
Jordan	207.84		-1.2
Morocco	128.52	-0.8	-0.6
Poland[13]	581.74	+1.8	-0.8
Portugal	236.78	-1.1	-12.2
Russia	99.06	-2.0	-33.4
S Africa[14]	189.00	+3.2	-5.1
Slovakia	97.61	-0.3	-11.6
Turkey[15]	298.54		-5.0
Zimbabwe[16]	247.58	+5.1	-1.6
Regions			
Composite	225.93	+0.2	-8.2
Latin America	563.89	-0.4	-12.3
Asia	100.67	+0.3	-6.6
EMEA	141.39	+0.6	-4.3

Base data: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close January 30

- A - [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

- T - [illegible]

- U - [illegible]

- V - [illegible]

- W - [illegible]

1997/98 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chng
34⅛	23⅝	WPS Rs	1.94	6.0	17	397	32½	32⅛	32¼	
82⅜	54⅝	Wrigley x	0.76	1.0	31	2514	75¼	73⅞	73⅞	-1⅛
24⅞	12⅞	Wynns Int	0.21	0.9	17	243	23½	22⅞	23⅛	-⅛

- X - Y - Z -

1997/98 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chng
87⅛	51½	Xerox	1.44	1.8	19	4699	81½	79¼	80⅞	-⅛
61	40½	Xtra Corp	0.80	1.3	21	409	59⅝	58⅞	59⅞	-⅛
27⅞	20⅝	Yankee Egy	1.34	5.3	15	41	25¼	25	25⅛	+⅛
39	34⅝	York Int	0.48	1.3	19	1388	38⅞	36⅞	38¼	+2
11⅛	4	Zapata r	0.28	2.8	37	615	10⅛	9⅞	10⅛	+⅛
13⅝	5⅛	ZenithEl				686	6⅞	6⅝	6⅝	-⅛
28⅝	24½	Zenith Nat x	1.00	4.0	14	78	25⅛	25⅛	25⅛	
8⅞	7½	Zenix Inc x	0.78	9.2		148	8¼	8⅛	8⅛	+⅛
32⅞	17¼	Zero	0.12	0.5	15	404	26	25⅞	25⅞	+¼
14	10½	ZweigFoS	1.24	9.4		69	13⅛	13⅛	13⅛	+⅛
9¾	8	Zweig Tot	0.84	8.9		1073	9⅞	9⅞	9½	+⅛

Price data supplied by Exel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	7906.50	7973.02	7915.47	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.18	104.99	104.92	105.48 (15/1/98)	101.09 (14/4/97)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3309.07	3340.22	3312.59	3388.52 (20/1/98)	2222.07 (2/1/97)	3388.52 (20/1/98)	13.23 (8/7/32)
Utilities	283.25	283.90	283.98	272.01 (30/12/97)	208.47 (25/4/97)	272.01 (30/12/97)	10.53 (8/7/32)

DJ Ind. Day's high 8023.83 (8062.94) Low 7850.95 (7864.19) (Theoretical) Day's high 7985.97 (8015.12) Low 7858.05 (7883.09) (Actual)

Standard and Poors	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	980.28	985.49	977.46	985.49 (29/1/98)	737.01 (2/1/97)	985.49 (29/1/98)	4.40 (1/6/32)
Industrials	1145.72	1151.85	1142.18	1151.85 (29/1/98)	865.42 (11/4/97)	1151.85 (29/1/98)	3.52 (30/6/32)
Financial	115.24	115.78	114.83	120.83 (8/12/97)	80.75 (2/1/97)	120.83 (8/12/97)	7.13 (4/3/74)
Others							
NYSE Comp.	510.83	513.13	509.22	514.31 (5/12/97)	388.47 (11/4/97)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	668.42	669.86	667.55	721.90 (7/10/97)	541.20 (28/4/97)	721.90 (7/10/97)	524.20 (16/7/98)
NASDAQ Cmp	1619.36	1619.49	1610.82	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	430.05	431.99	429.60	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.36 (7/12/93)

RATIOS

	Jan 23	Jan 16	Jan 9	Year ago
Dow Jones Ind. Div. Yield	1.79	1.77	1.81	1.99
	Jan 28	Jan 21	Jan 14	Year ago
S & P Ind. Div. yield	1.47	1.47	1.50	1.78
S & P Ind. P/E ratio	26.53	26.31	25.88	23.98

US DATA

MARKET ACTIVITY

Volume (million)	Jan 30	Jan 29	Jan 28
NYSE	612.821	754.460	711.280
Amex	736.46	30.544	23.887
NASDAQ	28.453	830.845	785.221

NYSE	Jan 30	Jan 29	Jan 28
Issues Traded	3,425	3,454	3,441
Rises	1,448	1,855	1,907
Falls	1,458	1,065	1,031
Unchanged	519	534	503
New Highs	120	163	123
New Lows	22	32	47

NYSE TRADING ACTIVITY — Volume : 612,821,000

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Compaq	8,524,700	30⅛	–⅛
Ph Morris	5,795,000	41½	–⅜
AT & T	5,393,300	62¼	–¼
Fst Data Cp	5,331,400	30⅝	+1⅛
CBS Corp	5,037,300	29⅞	+⅝
Iomega	4,722,700	9⅞	+⅝
Seagate Tch	4,362,000	23⅞	+2⅞
EMC Corp	4,082,500	32⅞	–⅜
Westn Digit	3,904,800	18⅞	+1¾
Local Space	3,797,100	22⅞	–⅜

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Seagate Tch	23⅞	+2⅞	+12.4
Cabot Inds	22½	+2½	+12.5
Gulf Indo	18½	+2	+11.4
Nuevong Pwr	22¾	+2⅞	+11.3
Downs			
TIG Hldgs	26⅞	–5⅞	–17.8
Vesta Ins	58½	–7⅜	–11.8
Transocean Of	35¼	–2½	–5.9
Kellogg	46⅛	–2⅛	–5.1

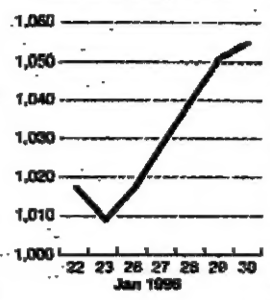
NASDAQ TRADING ACTIVITY — Volume : 736,464,000

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Oracle Cp	21,378,800	22⅜	+⅝
Worldcom	21,310,800	35⅞	+1
ASE Test	14,955,800	96⅞	+2⅜
Amdigics	11,797,100	14⅞	–1⅜
Intel Corp	11,329,400	81	–1
Quantum Cp	10,074,600	24⅝	+3⅜
Cisco Sys	8,647,200	63⅞	–⅞
Tel Cm TCI A	8,286,800	28	–⅜
Appld Matl	7,858,700	32⅞	+1⅛
ADC Telecom	7,210,200	19	+1⅛

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Prosource	14⅜	+7⅛	+105.4
Verisign	25½	+11½	+82.1
Oxford Hlth	17⅛	+3⅛	+21.2
Pope Res	29	+4	+16
Downs			
Amdigics	14⅜	–19⅞	–58.2
Hauppage	13⅜	–3⅝	–22.1
CSK Corp	25⅛	–4	–13.8
Barra	22⅜	–3½	–13.3

Dow Jones

FTSE Eurotop 300



JAPAN

	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	16628.47	17014.59	16973.83	20681.1	14664.4	38915.9	85.25

Day's high 17011.09 Day's low 16627.57

TOKYO TRADING ACTIVITY — Volume : 743,000,000

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Yamaichi Sec	166454000	3	+7
Ashi Corp	18,234,000	98	–13
Fujita Cp	17,283,000	123	–17
Np Steel Cp	15,211,000	199	–10
Sakura Bank	13,438,000	475	–23
Fuji Bank	8,582,000	795	–49
Yasuda T & B	7,484,000	220	–27
Kawasaki Stl	7,227,000	191	–24
NKK Corp	6,289,000	139	–6
Tachz Corp	6,042,000	328	–7

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Komatsu Frk	446	+80	+21.8
Sata Constr	240	+29	+13.7
Downs			
Dai-Ichi Kt	93	–27	–22.5
Fst Bnkg	131	–35	–21.1
Nozaki	118	–30	–20.3
Soda Nikka	246	–60	–19.6
Totsp Cp	350	–85	–19.5
Sankio Ltd	171	–38	–18.6

FRANCE

	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	3172.14	3135.82	3088.26	3172.14	2256.97	3172.14	984.61

Day's high 3173.98 Day's low 3125.13

PARIS TRADING ACTIVITY — Volume : 543,097,590

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Rhne-Plnc	5,446,057	280	–1.1
Fr.Telecom	2,587,092	261.5	+5.9
C.Fn.Paribas	1,502,859	548	+18
LVMH Moet	992,648	1121	+86
Axa-UAP	881,208	509	–3
C de St-Gbn	840,522	808	–44
BNP	810,224	316.6	+8
Usinor	736,545	84.2	+1.2
Renault	682,327	195.1	–1.9
Ass Gn Frnce	566,634	320.7	–1.8

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Benetau	1531	+271	+21.5
Sole	219	+30	+15.9
Paluel Mrn	488	+66	+15.6
SGTE	1500	+140	+10.3
Downs			
Acetne Dev	44.1	–75.9	–63.3
Marocaine	92.2	–17.6	–16
Stphne Kelian	76.05	–8.95	–10.5
Bourgeois	58.7	–6.3	–9.7

GERMANY

	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4430.38	4419.38	4391.02	4440.38	2848.77	4440.38	931.18

Day's high 4450.12 Day's low 4422.43

FRANKFURT TRADING ACTIVITY — Volume : 13,884,836

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Siemens	974,051	111.75	+1.85
Deut.Tlkm	922,526	32	+0.1
Bayer	914,102	68.7	–0.1
Deut.Bank	738,471	118.9	–0.5
Commerzbk	686,650	66.5	+0.4
BASF	673,535	67.95	+0.6
Dresdner Bank	469,055	81.9	+0.9
Dmlr-Benz	443,915	128.2	+2.2
Hoechst	423,065	64.3	–0.6
Veba	408,866	126.4	–2.1

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Herlitz	116.5	+8	+7.4
Rinol	55.5	+2.5	+4.7
Deut.Babck	99.9	+4.4	+4.6
Hochtief	68.5	+3	+4.6
Downs			
Beta Systems	139	–36	–20.6
Herkel	95	–8.5	–8.4
Mrsile Klekn	24.2	–1.4	–5.5
Eurobike	34	–1.5	–4.2

UK

	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5458.5	5422.4	5372.6	5458.5	4056.6	5458.5	986.9

Day's high 5458.5 Day's low 5389.5

LONDON TRADING ACTIVITY — Volume : 935,100,000

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
BTR	50,053,530	164	–2
Signet	46,558,170	34	+1
Reuters	29,989,850	658	–42
Diageo	21,377,030	549	–1
Brit.Steel	19,787,400	132	+2½
Asda	18,064,090	202	+2
Mirror	15,515,380	182½	+2
GEC	12,525,930	383	+2
Smith & Nph	11,841,590	178½	–7½
Tarmac	11,811,330	103½	+3½

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
Kode Intl	143½	+56	+64
Rage Stwre	6¾	+2½	+58.8
Surrey Grp	1	+¼	+33.3
Phytopharm	80	+15	+23.1
Downs			
Alliance Rc	21½	–3½	–14
Epic Mltmda	15½	–2	–11.4
Br.Fittings	81½	–8	–8.9
Nord Anglia	290	–25	–7.9

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	987.50	987.80	+0.70	996.30	984.20	122,882	389,727
Jun	1001.50	997.80	+0.70	1003.00	994.40	1,289	12,955
Nikkei 225							
Mar	16910.0	16660.0	–400.0	16940.0	16630.0	24,642	185,700
Jun	16880.0	16630.0	–360.0	16880.0	16600.0	1,611	31,650

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	3130.0	3157.1	+22.1	3158.0	3127.0	20,034	10,640
Feb	3138.5	3183.0	+39.5	3185.0	3135.0	26,350	37,159
DAX							
Mar	4473.5	4458.5	–6.5	4484.0	4444.0	22,678	71,296
Jun	4460.0	4487.0	–3.0	4506.0	4480.0	4,674	16,870

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2516.00	2510.00	–21.00	2541.00	2507.00	5,477	26,108
Mar	2537.00	2516.00	–17.00	2537.00	2516.00	35	2,509
SOFFEX							
Feb	6515.0	6590.0	+62.0	6600.0	6512.0	4,065	19,780
Mar	6550.0	6599.0	+90.3	6600.3	6550.0	46	771

WORLD MARKETS AT A GLANCE

Country	Index	Jan 30	Jan 29	Jan 28	1997/98 High	1997/98 Low	Yield	P/E
Argentina	General	21045.68	21215.34	21314.04	35771.76 22/10/97	18237.40 2/1/97	3.08	18.2
Australia	All Ordinaries	2656.7	2642.7	2621.1	2778.29 25/9/97	2289.20 28/10/97	3.38	19.4
	All Mining	641.2	638.2	616.9	887.16 24/2/97	641.30 27/11/97		
Hungary	Bux	7421.65	7439.41	7580.33	8483.88 6/8/97	4281.30 6/1/97	na	na
India	BSE Sens.	(c)	3224.36	3299.55	4548.02 5/8/97	3280.55 28/1/98		
	Crisil 500	(c)	594.38	605.23	848.28 5/8/97	594.38 28/1/98	na	na
Poland	WIG	14601.5	14378.2	14071.1	18338.40 18/2/97	13229.80 12/1/98	0.91	14.2
Portugal	BVL 30	4312.67	4338.88	4343.13	4343.13 28/1/98	2165.57 2/1/97	1.02	40.8
	PSI 20	10057.53	10116.11	10124.57	10124.70 28/1/98	6152.34 2/1/97		

Argentina: Stocks closed near session-lows as market came under pressure from declines on Wall Street and in Brazil.
Australia: Fourth consecutive rise with turnover boosted by options expiry. Golds edged back after 16 per cent rise in three days.
Hungary: Equities edged lower, extending the week's losses as strong dollar failed to provide support.
India: Closed for holiday.
Poland: Market extended rise to 6.4 per cent over week, prompting expectations of profit-taking this week.
Portugal: Shares ended off lows on day dominated by profit-taking.

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 30

[illegible]

AMEX PRICES

4 pm close January 30

[illegible]

EASDAQ

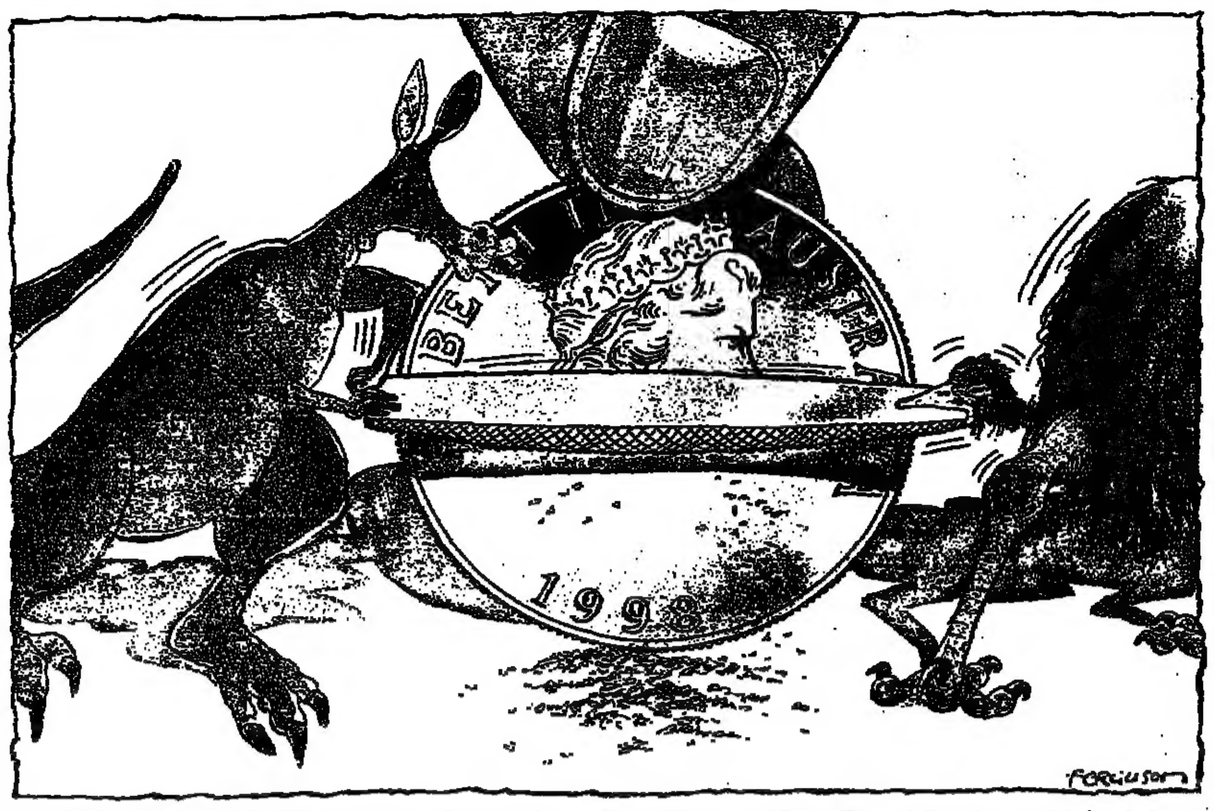
[illegible]

FT GUIDE TO THE WEEK

MONDAY 2

The queen question

Australia's republican and monarchist movements gather at a constitutional convention to be held in Canberra until February 13, where they will address the question of whether Australia should replace the British queen as head of state with an Australian president. Half the 152 delegates were elected by voluntary postal vote and half appointed by the federal government. Among the elected delegates, republicans outpolled monarchists two to one, fuelling expectations that the convention will set the stage for a referendum or at least a preliminary plebiscite on the most appropriate model for a new republic. Opinion polls have indicated that the main issue will be what form a new republic should take, rather than whether Australia should retain its constitutional monarchy.


An Australian constitutional convention this week discusses the possible replacement of Queen Elizabeth II as the country's head of state

BJP manifesto

India's Bharatiya Janata Party, the country's biggest and tipped to form the largest political group after this month's elections, is expected to publish its election manifesto, detailing more specifically for the first time its likely economic policies. The Hindu revivalist party has said it would accelerate "liberalisation" but proceed more cautiously with "globalisation" – suggesting it would move more slowly with further opening of the Indian economy to trade and investment. The party's manifesto will also be closely watched to see the emphasis given to religious themes – notably its line on the construction of a Hindu temple at Ayodhya, where Hindu zealots ransacked a mosque in 1992, and on the imposition of a "civil code", which would remove exceptions under the law relating to India's 110m Moslems. The BJP has formed alliances with more than half a dozen parties which do not share the party's religion-oriented policies. They will be watching, too, to see the party's emphasis on some of its traditional policies. The BJP and allies have headed all opinion polls before the elections, for which voting starts on February 16, but still appear likely to lack a governing majority in the 543-seat house.

Holidays

Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

TUESDAY 3

Euro implications

The American European Community Association (AECA) holds its new year conference in Brussels on "The euro and its transatlantic aspects". The speaker is European Parliament economic and monetary affairs committee chairman Karl von Wogau.

Bosnian parliament opens

Bosnia's upper and lower houses of parliament to convene in Lukavica.

FOMC meeting

The US policy making Federal Open Market Committee meets for two days in Washington.

FT Survey

Sri Lanka.

Holidays

Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

WEDNESDAY 4

Blair goes west

Tony Blair, UK prime minister, leaves for four-day trip to Washington, accompanied by Jack Straw, the home secretary, and Alan Milburn, health minister. On his agenda will be the state of the Northern Ireland peace talks, progress towards the launch of the single currency, as well as measures to combat international crime. A joint radio broadcast to the American people by the two government heads has been mooted for next Saturday.

French euro forum

The French National Assembly holds a forum on risks linked to the euro. Speakers include senator and former interior minister Charles Pasqua, Bank of France monetary policy council members Jean-Pierre Gerard and Paul Marchelli, and Société Générale chairman Marc Vienot.

Territorial review

Robin Cook, the UK foreign secretary, is expected to offer the 180,000 inhabitants of Britain's remaining dependent territories the possibility of eventual full citizenship, but also to urge them to bring their financial regulation and social legislation nearer to UK norms. These are among the conclusions of a six-month review of Britain's relationship with its 13 remaining dependent territories – due to be renamed overseas territories – which Mr Cook is due to announce in a speech in London.

Asia crisis considered

Senior monetary officials from the European Union and Asia meet in London to review the Asian economic crisis and co-operation within the Asia-Europe Meeting (ASEM) forum.

Portuguese report

The Organisation for Economic Co-operation and Development (OECD) issues its report on the Portuguese economy in Lisbon.

Latin American summit

The Latin America Summit on Finance and Structural Reform is held in Miami. Among officials attending are Inter-American Development Bank president Enrique Iglesias and Vicente Fox Quesada, governor of the Mexican state of Guanajuato.

Menem visits Egypt

Argentine president Carlos Menem visits Egypt during a tour of the Middle East where he and president Hosni Mubarak will open an experimental nuclear reactor built by Argentine's Invap utility in Inshap.

Sri Lanka's 50 years

Britain's Prince Charles is a guest at the 50th anniversary of independence celebrations in Sri Lanka.

FT Survey

Information Technology.

Holidays

Sri Lanka, Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

THURSDAY 5

Krupp strategy

The merger of German engineering groups Thyssen and Krupp will move a step further if, as expected, Krupp's supervisory board approves an industrial strategy for the new group devised by Gerhard Cromme, Krupp's chief executive, and Ekkebard Schulz, boss of Thyssen Krupp Stahl. The two men, who will jointly manage the merged concern, last week obtained the backing of Thyssen's supervisory board for the restructuring plans which are thought to include new partnerships and some disposals to achieve efficiency savings of DM450m a year.

Jobs headache

German labour market figures for January are expected to reveal unemployment at a new post-war high, increasing pressure on the government of Helmut Kohl to take action to create jobs. Ernst Schwanhold, an opposition Social Democrat politician, suggested last week that the seasonally unadjusted jobless total could be 4.9m compared with December's 4.52m and the previous high of 4.67m in February last year.

Ciampi's German trip

Italian Treasury minister Carlo Azeglio Ciampi visits Germany for meetings with politicians and bankers; Ciampi meets officials of the Bundesbank's economic and financial commissions and on Friday joins a conference organised by Deutsche Bank.

Trade applicant

World Trade Organisation members meet in Geneva for two days to continue discussion of Kyrgyzstan's application to join the world trade body. Kyrgyzstan, a country of 4.4m people which shares a border with China, is the fastest-growing of the central Asian former Soviet republics. However, its economy is still based on primary industries such as agriculture and gold mining.

State of the unions

The European Trade Union Confederation holds a conference on "New Times – New Unions" in Brussels; speakers include Jacques Delors, the former European Commission president.

FT Surveys

Business of Travel 1.

Holidays

Mexico, Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

FRIDAY 6

Santer in Egypt

European Commission Jacques Santer starts a Middle East tour in Egypt.

FT Survey

Winter Olympics.

Holidays

New Zealand, Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

SATURDAY 7

G-24 forum meets

The Group of 24, a forum of developing countries, meet in Caracas to discuss international monetary and finance issues. The three-day conference, to be attended by Michel Camdessus, the managing director of the International Monetary Fund, is to focus on the impact of the Asian currency crisis on emerging markets as well as the volatility of capital flow. The representatives will be primarily finance ministers and central bank governors. The G-24 is made up of eight countries each from Asia, Latin America, and Africa. Among the member countries of the G-24, temporarily presided over by Venezuela, are Argentina, Brazil, India, Iran, Mexico and Nigeria.

Blessed Olympics

The Nagano Olympic winter games start with the ringing of the bell at the famous Zenkoji temple. Akebono, the Hawaian "yokozuna" grand champion sumo wrestler will perform the ring-entering ritual to purify the venue of the opening ceremony. In Nagano's traditional festival called "onbashira," eight pillars will be arranged in pairs to form four gates in the stadium. This is to bless the games. Emperor Akihito is expected to attend the ceremony. During the 16-day games, athletes from more than 70 countries will be competing.

Holidays

Oman*, Qatar*, Saudi Arabia*, United Arab Emirates*.

SUNDAY 8

Cyprus election

Greek Cypriots go to the polls for the first round of voting to elect a new president, who will face the task of negotiating European Union membership for the Republic of Cyprus and of trying to reach parallel political accommodation with Turkish Cypriots in the northern part of the divided island. Latest opinion polls put the 78 year-old President Glafkos Clerides of the right-wing Democratic Rally slightly ahead of his main rival, George Iacovou, backed by a combination of the Akel communist party and the centre-right Democratic party. Neither is expected to win an absolute majority today, and the run-off will be held on February 15.

Religious meeting

The leaders of Bosnia's four religious communities go to the European Union in Brussels to discuss the reintegration of the country.

Holidays

Slovenia.

*tentative date.

Compiled by Roger Beale.
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ECONOMIC DIARY

Other economic news

Monday: Heavy snow in Japan may account for the deep fall in new car sales, but the recession will also account for a large proportion of the substantial fall of around 20 per cent forecast. NAPM numbers in the US expected to be firm.

Tuesday: The start of an FOMC meeting in Washington, with unemployment data to come, will keep the focus on US Treasuries and the dollar this week.

Wednesday: Germany's industrial output is expected to have been higher in December, following a series of downward revisions to recent data. But latest manufacturing output figures, released this week, may mark a downturn.

Thursday: The CBI's distributive trades survey for January will give the first guide to the suggested rebound in UK retail sales for the new year discount season.

Friday: January's non-farm payroll figures to be released in the US are likely to be below the average increase of 300,000 seen in the last six months. The monthly gain in hourly earnings is projected to be between 0.2-0.3 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Monday	Korea	Jan trade balance-customs cleared	$2.1bn	$2.3bn
Feb 2	Japan	Jan automobile sales**		-9.4%
	Japan	Jan forex reserves*		-3.3%
	Germany	Jan purchasing managers index†		56.43
	UK	Jan Chart Inst of Purchasing Managers		52.9%
	UK	Jan M0*	0.5%	0.8%
	UK	Jan M0**	7.1%	6.9%
	US	Dec personal income	0.2%	0.8%
	US	Dec personal consumer expenditure	0.5%	0.4%
	US	Jan Nat Ass of Purchasing Managers	53%	52.5%
	US	Dec construction spending	0.6%	-0.9%
	US	Jan domestic auto sales	6.8m	6.8m
	US	Jan domestic light truck sales	6.5m	6.5m
Tues	Canada	Nov department store sales**	9.0%	9.2%
Feb 3	Canada	Dec building permits*	-1.8%	8.4%
	US	Bank of Tokyo-Mitsubishi Jan 31		1.0%
	US	Dec new home sales	825k	830k
	US	Dec leading indicators	unch	0.1%
	US	Redbook Jan 31		1.8%
Weds	UK	Jan CIPS services survey		57.6%
Feb 4	US	Dec Home completions		1.41m
	Japan	Jan trade balance first 20 days nott		-Y351bn
	Germany	Dec industri production pan Germany*	0.5%	-0.3%R
	Germany	Dec manufacturing output pan Ger*	0.3%	0.0%R
	Germany	Dec industrial production west*		-0.3%R

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thurs	Germany	Jan unemployment† pan Germany	0k	21k
Feb 5	UK	Dec construction orders		N/A
	UK	Dec housing starts		N/A
	UK	CBI distributive trades		35.0%
	US	Dec factory orders	-3.2%	2.5%
	US	Dec factory inventories		0.4%
	Germany	Dec manufacturing orders pan Ger*	0.2%	-0.6%R
Fri	UK	Dec industrial production*	0.3%	-0.6%
Feb 6	UK	Dec industrial production**	0.6%	0.8%
	UK	Dec manufacturing output*	0.2%	-0.4%
	UK	Dec manufacturing output**	1.5%	1.6%
	US	Jan nonfarm payrolls	225k	370k
	US	Jan manufacturing payrolls	10k	39k
	US	Jan hourly earnings	0.3%	0.1%
	US	Jan average workweek		34.6
	US	Jan unemployment rate	4.7%	4.7%
	US	Dec consumer credit	$5bn	-$4.2bn
Sun	Japan	Jan overall wholesale price index*		0.5%
Feb 8	Japan	Jan overal wholesale price index**		1.6%
	Japan	Jan domestic wholesale price index**		0.7%
During the week...				
	Germany	Dec net foreign bond purchases		18.2bn
	Russia	Dec M2*	1.9%	-0.2%
	Russia	Dec M2**	28.2%	31.4%

*month on month, **year on year, † seasonally adjusted. *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 01.02.98 / Final Figures for Trading on 04.01.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.71	10.55	10.55	0.00
0100	17.68	15.15	15.15	0.00
0130	38.61	22.07	22.18	1.75
0200	38.61	30.85	30.96	1.75
0230	17.69	30.85	30.96	1.75
0300	22.99	22.07	22.18	1.75
0330	46.12	28.21	28.32	1.75
0400	46.12	28.21	28.32	1.75
0430	17.88	28.21	28.32	1.75
0500	17.39	28.21	28.32	1.75
0530	17.25	16.01	16.12	1.75
0600	17.23	16.01	16.12	1.75
0630	17.23	16.01	16.12	1.75
0700	17.23	16.01	16.12	1.75
0730	10.72	10.54	10.54	0.00
0800	10.72	10.52	10.52	0.00
0830	10.71	10.51	10.51	0.00
0900	17.23	10.54	10.54	0.00
0930	17.23	10.54	10.54	0.00
1000	10.72	17.48	17.59	1.75
1030	18.78	25.56	25.67	1.76
1100	18.76	38.85	38.96	1.75
1130	24.74	25.56	25.67	1.75
1200	24.74	25.56	25.67	1.75
1230	24.74	25.56	25.67	1.75
1300	24.74	25.56	25.67	1.75
1330	24.74	25.56	25.67	1.75
1400	18.37	19.05	19.05	0.00
1430	18.12	15.07	15.07	0.00
1500	18.37	15.07	15.07	0.00
1530	18.37	18.95	18.95	0.00
1600	19.00	18.95	18.95	0.00
1630	10.82	15.09	15.09	0.00
1700	10.85	25.56	25.67	1.75
1730	24.27	29.95	30.06	1.75
1800	39.31	29.95	30.05	1.75
1830	39.37	25.61	25.72	1.75
1900	39.31	25.56	25.67	1.75
1930	39.31	25.61	25.72	1.75
2000	24.97	25.56	25.67	1.75
2030	24.97	25.56	25.67	1.75
2100	21.94	19.00	19.00	0.00
2130	21.94	15.07	15.07	0.00
2200	10.82	16.05	16.05	0.00
2230	10.80	22.85	22.96	1.75
2300	10.72	22.85	22.96	1.75
2330	10.80	19.05	19.05	0.00
2400	10.71	15.07	15.07	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 02.02.98 / Final Prices for Trading on 05.01.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.72	15.05	15.05	0.00
0100	10.82	22.85	22.90	1.25
0130	18.12	22.85	22.90	1.25
0200	21.56	22.85	22.90	1.25
0230	32.86	22.85	22.90	1.25
0300	32.86	22.85	22.90	1.25
0330	32.86	22.85	22.90	1.25
0400	32.86	15.07	15.07	0.00
0430	21.56	15.07	15.07	0.00
0500	21.56	15.05	15.05	0.00
0530	36.10	15.05	15.05	0.00
0600	18.80	10.53	10.53	0.00
0630	11.76	15.00	15.00	0.00
0700	18.90	15.10	15.10	0.00
0730	30.70	32.99	33.04	1.25
0800	40.09	37.58	37.65	1.25
0830	40.11	37.33	37.42	1.25
0900	40.18	37.84	37.99	1.25
0930	49.58	38.72	38.94	1.25
1000	55.13	45.14	45.39	1.25
1030	58.12	54.20	54.50	1.25
1100	49.27	54.43	54.80	1.25
1130	49.29	54.89	55.51	1.25
1200	49.29	57.81	58.48	1.25
1230	49.24	57.88	58.50	1.25
1300	42.02	57.42	57.98	1.25
1330	48.13	54.42	54.78	1.25
1400	46.13	45.31	45.61	1.25
1430	46.12	44.41	44.66	1.25
1500	46.12	39.90	40.15	1.25
1530	18.33	44.69	45.03	1.25
1600	18.44	58.11	60.25	1.25
1630	50.27	80.08	88.42	1.25
1700	83.07	139.88	152.68	1.25
1730	87.65	142.18	154.56	1.25
1800	92.37	120.02	128.84	1.25
1830	80.30	63.04	66.15	1.25
1900	65.53	58.87	59.93	1.25
1930	58.95	38.94	39.41	1.25
2000	48.76	44.14	44.33	1.25
2030	42.00	37.60	37.67	1.25
2100	41.91	38.10	38.15	1.25
2130	41.30	35.67	35.72	1.25
2200	41.90	32.98	33.03	1.25
2230	38.16	32.91	32.96	1.25
2300	38.16	27.94	27.99	1.25
2330	16.75	27.94	27.99	1.25
2400	15.80	27.94	27.99	1.25

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of [illegible]

JOTTER PAD

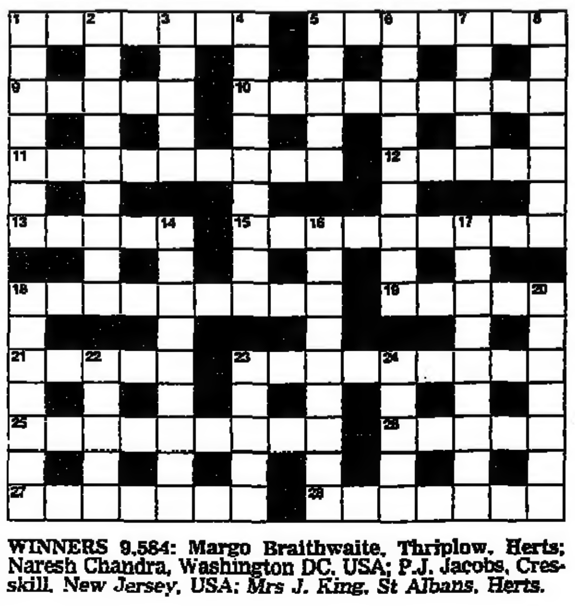
MONDAY PRIZE CROSSWORD

No.9,596 Set by DANTE

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by February 12, marked Monday Crossword 9,596 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 16. Please allow 28 days for delivery of prizes.

Name.......................................

Address.......................................



ACROSS
1 Extra helpings may be minute portions (7)
5 Troops gave up and retreated (7)
9 Novice in business success to prosper (5)
10 It's pronounced without conviction (3,6)
11 Sullen kid turns out to be clumsy (9)
12 Shabby teetotaller seen in Scottish river (5)
13 Boring bit of exercise (5)
15 Keep an eye on what you say – it's a good maxim (9)
18 Becoming angry, observing an indication you are in debt? (6,3)
19 Advertises smokes (5)
21 Learner breaks tools making spindles (5)
23 There's worse to come out of this (6,3)
25 With bowl, manage to beg (9)
26 Unexpected development in dance (5)
27 Freeborn heroine (7)
28 Pulls out Greene's novel (7)

DOWN
1 Subtle put down (7)
2 Put out blaze produced by guns from different directions (9)
3 Best sort of capital investments? (5)
4 When fun's disrupted, scowl – it's a bloomer (9)
5 Estimated trade turnover (5)
6 Flattering regard paid to one so rich put in new position (9)
7 Money comes in handy in China (5)
8 Visibly unaffected by sorrow (3-4)
14 One of those hung after views have been canvassed (9)
16 Musical picnicker (5-4)
17 Young cricket side bound to succeed (9)
18 Clasp is loose on the Spanish knife (7)
20 State councils assemble at Essen (7)
22 Given no credit apparently for being slow (5)
23 Fancies holding eastern flags (5)
24 Impracticable whichever way it is viewed (3,2)

WINNERS 9,584: Margo Braithwaite, Thriplow, Herts; Naresh Chandra, Washington DC, USA; P.J. Jacobs, Cresskill, New Jersey, USA; Mrs J. King, St Albans, Herts.

Solution 9,584